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AMERICAN STATESMEN

SECOND SERIES

VOLUME II

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THE REUNITED NATION — GROWTH  
AND PROSPERITY

JOHN SHERMAN









*John Sherman*

# American Statesmen

SECOND SERIES

LARGE PAPER EDITION



*The Home of John Sherman*

JOHN W. WILKINSON COMPANY





American Statesmen, Second Series

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# JOHN SHERMAN

BY

THEODORE E. BURTON



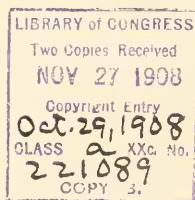
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# JOHN SHERMAN

## I

### ANCESTRY, EARLY LIFE, AND SURROUNDINGS

JOHN SHERMAN was born at Lancaster, Fairfield County, Ohio, on the 10th day of May, 1823. He died at Washington, October 22, 1900, having reached the ripe age of seventy-seven years. His public career as a member of the House of Representatives and of the Senate, Secretary of the Treasury, and Secretary of State extended from March 4, 1855, to April 27, 1898, a period of more than forty-three years. When he left the Senate in March, 1897, his membership in that body, though not continuous, had been longer than that of any other senator.

His ancestry on both sides belonged to a pure English stock. Samuel Sherman, his paternal ancestor of the sixth preceding generation, came from Essex County, England, in 1634, when sixteen years of age, and after a sojourn in Massachusetts, settled in Connecticut. His five intermediate ancestors were born in the western part of the latter state. The Sherman family of Essex County made important contributions to the citizenship of the

New World. The descendants of Samuel Sherman, and of his cousin John, who migrated at the same time, include not only John Sherman, and his illustrious brother William Tecumseh, but also Roger Sherman, George F. and Ebenezer R. Hoar, William M. Evarts, and Chauncey M. Depew.

The effect of heredity as a favoring influence in the lives of American statesmen is not clearly apparent. Neither inherited predilection for a public career nor the prestige of a family name has been a requisite for gaining exalted official station. Along with the unequaled possibilities which our country affords, there also exists the nearest approach to equality of opportunity, and the highest political rewards have been obtained by industry, ability, and the possession of popular qualities. While instances have not been lacking in which successive members of the same family have maintained a prominent position in public affairs for three, and even four, generations, many more have been at the forefront who were the sons of ancestors who never held office. Among these may be counted Washington and Madison, who were the sons of prosperous landed proprietors. The fathers of John Adams, Van Buren, and Polk were thrifty farmers. In contrast with those mentioned, that unsurpassed quartet, Jackson, Clay, Lincoln, and Garfield, were the children of poverty.

There is another list, however, quite as numerous which tends to show that an inherited bias for public service is not without advantage. It is made up



of those whose fathers held office, but in a theatre of action very much limited in area, in many cases including only a township or a county, preferment having been given because of their sturdy common sense and unswerving integrity. Whatever inspiration descended to their sons, impelling them to participate in public affairs, was derived from such sources as the town meeting, the county court, the colonial or state legislature, or the command of the local militia. An unusual proportion of these ancestors held petty judicial positions, in which it was their duty to decide conflicting claims of their neighbors. In this list may be counted Jefferson, Marshall, Webster, Callhoun, Seward, and Blaine. With them may be classed Patrick Henry, whose father, notwithstanding unsustained accounts of his son's illiteracy, had enjoyed better educational advantages than the parents of any of the others named.

The history of Mr. Sherman's lineage identifies him more nearly with the latter group and furnishes an argument in support of the importance of heredity. His paternal ancestors held office almost continuously from the day when Samuel Sherman landed in New England, and several of them for a very long time. Two of them were members of the Court of Assistants, or Upper House of Connecticut, a position the most honorable in the gift of the electors of the colony. After Samuel Sherman, four of the five intervening ancestors held similar positions, including those of judge of the

county court, probate judge, and member of the legislature. The first ancestor born in this country was speaker of the Lower House for two sessions; and it is an interesting coincidence that he held the position of associate county judge for forty-four years, a slightly longer period than that during which his illustrious descendant held office under the national government. Another, Daniel Sherman, who lived in the time of the Revolution, was for sixty-five semi-annual sessions the representative of his native town in the General Assembly. Taylor and Charles Robert Sherman, grandfather and father, respectively, of John Sherman, were lawyers and held judicial and other offices.

Mr. Sherman's father, Charles Robert, went forth from Connecticut to seek a home in Ohio in the year 1810. The so-called "Fire Lands," now comprising the counties of Erie and Huron, would have seemed the natural location for him, because his father was the owner of a considerable tract of land in that locality, where a township had been named after him; also, the main stream of emigration from Connecticut lay toward the northern part of the state in the direction of the Western Reserve; but the fear of hostile Indians deterred him from going there, and he chose Lancaster for his home. He returned to Connecticut to bring with him his wife and an only son, then an infant, establishing himself in Ohio in 1811. Lancaster was the seat of one of the most intelligent communities of the West, and became especially celebrated for the eminence

of the lawyers who resided there. He acted successively as major in the militia, collector of internal revenue, and as one of the four judges of the Supreme Court of Ohio. In this last position he seems to have maintained an excellent reputation for ability and fairness; and as the court in those days traveled from county to county, he acquired a large acquaintance which in later years was of material benefit to his son. He was prematurely taken away by a sudden illness, June 24, 1829, when forty years of age. A widow and eleven children survived him, of whom two rose to eminence, — William Tecumseh, and John, the eighth child, the subject of this sketch. The former was nine and the latter six years of age. A weighty responsibility was placed upon the widow, who seems to have been a woman of strong character, well educated, and possessed of great tact and resourcefulness. Her limited means made it desirable to separate her children, and William Tecumseh was adopted into the family of the Honorable Thomas Ewing, who, in the year 1836, procured for him an appointment to West Point.

John Sherman studied at private schools for eight years, two years at Lancaster, then four years at Mount Vernon, and again two years at Lancaster. During the four years at Mount Vernon he was in the family of a cousin of his father. Although it was intended that he should take a college course at Kenyon College, and relatives of the family offered the necessary assistance, it appears that his own

preference was to engage in active life, when only fourteen years of age. In later life he gave as his reason that his chief desire at the time was to help his mother. His education was of a routine character, of the kind much in vogue at that time, though marked by thoroughness and rendered more helpful by his aptness as a pupil. No one of his instructors appears to have made any great impression upon him; certainly none exerted any guiding or inspiring influence akin to that of Dr. William Small upon Thomas Jefferson, or of Rev. Hugh Knox upon Hamilton. Unlike the placid and unexcitable John Sherman of mature years, the boy seems to have been of a rollicking and rather careless disposition. He recounts his schoolboy fights, and tells of resisting a teacher at the academy at Lancaster who sought to punish him, an incident which led to his expulsion, though he was readmitted later. If the early days of the two brothers are to be contrasted, it would seem that the future general was a quiet and industrious student, resorting to hunting for his favorite amusement, while the future senator was especially fond of more sociable sports, and remembered in after life his pleasant associations with his schoolmates more vividly than the instruction of his teachers. In the course of his studies he learned little Latin and no Greek. At no time was the study of languages, ancient or modern, an agreeable task for him. The native bent of his mind was very manifestly toward mathematical and scientific studies. He mastered the former with

ease; algebra, Euclid, and especially surveying, were his favorites. To the end of his life he kept near him a complete set of surveyor's instruments, and in hours of leisure it afforded him sincere delight to make plats of his landed properties.

His first employment, when he was only fourteen years of age, was upon the construction by the State of Ohio of the Muskingum River Improvement, by means of which the river was to be made navigable from Zanesville to its mouth, at Marietta. His position was that of junior rodman. After the measurement of levels and the making of computations were completed, he was given a minor place in the direction of the work. He showed such competency, however, that on the discharge of one of the superintendents, his budding capacity was recognized by placing him, notwithstanding his tender years, in charge of the construction of a lock and dam.

The termination of this employment was destined to make a profound impression upon him and to exercise a controlling influence upon his choice of a profession. The keen satisfaction which he found in pursuits of this nature, and the gratification derived from his rapid promotion, might have caused him to become a surveyor or contractor; but after two years his aspirations received a rude shock. The election of a Democratic governor of Ohio in 1838 was followed by the discharge, in June of the following year, of the chief superintendent. A letter of confidence and good will addressed to him by young Sherman and other

subordinates led to their discharge also. Sherman's leanings toward the Whig party, which could hardly have been very well defined up to that time, were so strengthened that he became a strong partisan. The event also gave a new direction to his ambitions and caused him to decide to study law, a profession to which he was strongly predisposed because his father had been a lawyer, and Judge Parker, the husband of an aunt, and his oldest brother, were members of the bar at Mansfield.

His services on the public works of Ohio and his surroundings at that time could not fail to give bent to his inclinations, even at the early age of sixteen. He was in the midst of a community eminently progressive, where evidences of growth and material prosperity were visible on every side. Ohio enjoyed a marvelous increase of wealth and population in the decade beginning in 1831. During these ten years, its gain in population was greater than that of any other state of the Union, and greater also than that of any state or colony in any previous decade since the settlement of America. It was essentially an era of development, in which canals and better highways played an important part, nor was the awakening limited to portions of the state immediately affected by the construction of these improvements.

All this tended to make of Sherman an early example of that type of the American citizen so common in recent years; men intensely practical, who are absorbed in concrete problems of financial and



commercial endeavor and possessed of the greatest ability in devising means to originate and maintain great business enterprises. When barely fifteen years of age he had purchased a quantity of salt and apples on the Muskingum with the thought of obtaining large profits by transporting them by barge to Cincinnati. The absence of the usual autumn rise, and an early freezing of the river, made the venture a losing one, and gave his brother and other relatives opportunity for good-natured chaffing. At the same time they recognized that his plan was well devised. Even after his admission to the bar, his preferences were manifestly for a career in which he could share the advantages arising from the industrial and commercial growth of the country. In 1853, his brother, William Tecumseh, wrote him of a plan to resign his commission in the army and engage in banking business in San Francisco. In response, he wrote: "The spirit of the age is progressive and commercial, and soldiers have not that opportunity for distinction which is the strongest inducement in favor of that profession. From your business habits and experience, you ought in a few years to acquire a fortune which will amply compensate you for the loss of the title of colonel."

It was not merely by favorable surroundings in a material way that his early life was influenced. The State of Ohio was an excellent training-school for learning the duties of citizenship, and for education in the science of government. Much has been written of the prominence of the State of Ohio in na-

tional affairs during the last half of the nineteenth century. It has been alleged that no territorial division which includes so inconsiderable a share of the population of a great nation has contributed so large a quota of men who have attained leadership in civil and military affairs. Not infrequently this has been ascribed to chance, or facetiously explained as the result of superior qualifications in seeking official station. An examination of the history of the state will, however, disclose substantial grounds, if not for assuming the position of the leading commonwealth, at least for making a most substantial contribution to the upbuilding of the nation.

In many respects conditions in Ohio were not different from those in other states. The citizens of all alike displayed striking characteristics in the early days of the Republic. They enjoyed a consciousness of superiority, based upon victory in a long and unequal contest in which they had achieved independence and found themselves destined to be predominant in the western hemisphere. They displayed a boldness in initiative and a desire for the greatest possible freedom of action, tempered by the ingrained conservatism of the Anglo-Saxon race. The framers of American constitutions had read the writings of Montesquieu and the more radical utterances of Voltaire and Rousseau. Later, the people had before them the striking object-lesson afforded by the French Revolution. But as they pondered upon theory and history, they had a clear vision enabling them to avoid extravagances and



to determine the legitimate bound at which liberty of action should stop. The movement which created this nation was materially different from the French Revolution and a majority of similar uprisings. As distinguished from them, the American Revolution was a successful attempt to establish the principles of freedom and equality, while the others were actuated by that bitterness against authority which is aroused by grievous oppression and wrong. While certain fundamentals were observed in all the states, there was an infinite variety of opinion concerning the relation of the state to the nation and of the state to the individual. Education, though by no means as common as in the last half of the nineteenth century, was highly prized, and was sufficiently maintained to secure a very high average of general intelligence and to give excellent training to those who desired it. With improvements in means of transportation, all parts of the country alike were benefited, as these had a tendency to do away with any spirit of narrowness and to give a new impetus to progress.

Ohio, however, had distinctive features of her own, first of which was the cosmopolitan quality of her citizenship. Physiologists and ethnologists alike have asserted that for the maintenance of the most vigorous physical and intellectual stock, a mingling of various peoples is necessary. If this assertion is true, Ohio certainly was destined to be the abode of a most vigorous people. To say that the Puritan and the Cavalier met upon the soil of

Ohio does not adequately describe the mingling of forces which influenced her early settlement. Pennsylvania made her contribution not merely from her population of German descent, but by a large representation of Quakers and Scotch-Irish as well. Virginians occupied large areas of territory around Chillicothe and elsewhere. New York gave many of her most energetic citizens. Connecticut and Massachusetts sent representatives of the best New England stock to the Western Reserve and to Marietta. New Jersey planted a settlement at Cincinnati. Maryland furnished a migration which, in 1850, the date of the first enumeration according to nativity, numbered a half more than the more influential contingent from Connecticut. North Carolina contributed her quota of Scotch-Irish. Kentucky sent many stalwart and adventurous settlers across the Ohio. A French settlement was established at Gallipolis. The Revolutionary soldier was still prominent when Mr. Sherman was born, and before he had entered politics many immigrants from Europe had located in Ohio, including a considerable contingent of German refugees of the later "forties" who came to be numbered among his most ardent political supporters.

The local statutes and institutions of the contributing communities were carefully compared, and discriminating efforts were made to select the best from all. In such a state there was no place for provincialism or a one-sided development. There was a constant attrition of conflicting ideas.

The visionary and the idealist were granted a most respectful hearing, but all theories were subjected to the test of practicability and the probability of substantial benefit from their acceptance. In other portions of the Union free discussion was a constant source of instruction, but nowhere were the springs from which to draw inspiration and direction so abundant or so varied.

Some of the colonies were settled by migration from a single state or foreign country; others — where the settlement was derived from two or more sources — suffered from conflicts between inharmonious elements. Ohio was settled in peace, and no commonwealth ever witnessed the mingling of so diverse and mutually helpful elements with less friction.

The state had other advantages which could not fail to improve the quality of her citizenship. In distinction from other states and colonies, a constitution was provided before the beginnings of settlement in which were embodied the fundamental ideas upon which American institutions rest. While the Constitutional Convention was in session at Philadelphia, in 1787, another body assembled at New York, composed of men less known to fame, the last of the Continental Congresses, framed the Ordinance of 1787 for the government of the territory northwest of the Ohio. This Ordinance included two classes of provisions: one temporary, to terminate with the admission of the territory described; the other regarded as compacts which

could be terminated only by the joint consent of the original states and the people of the states to be created from the new territory. The first class included regulations for the disposition of property, including the abolition of primogeniture, and for the establishment of a territorial government; the second included provisions preventing molestation of any person because of his mode of worship or religious sentiments, establishing the writ of habeas corpus, also declaring the importance of religion, morality, and knowledge, and last of all, forbidding slavery. This exclusion of slavery was not merely of incalculable benefit to social and economic conditions in the new state, but it attracted from the whole country a class of citizens, who, in that early day, realized the evils which must arise from this unnatural institution.

Under this Ordinance, or laws adopted in pursuance of it, land titles were free from doubt or controversy, and a considerable quantity of land was reserved by the general government which was open to entry by any person who desired to settle in the new territory.

The Indians were at first troublesome in some localities, and were victorious in several contests, but there was not the long harassment from that source which impeded the development of some of the older states. Conflicts with them arose to the dignity of battles and were few and decisive. The victories of the white man kept them in awe and treaties were made as the land was required for

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settlement. But if the adventurous character which comes from warfare was lacking it was not the less true that none but those of courage and endurance could bear up under the hardship of the journey from the older communities to the new state, and thus the early settlers were of a stalwart type, shrinking from no obstacles. To a peculiar degree they were persons not merely of resolution but of patriotism and excellent moral principles, who sought the new commonwealth with a view to bettering their condition and building up a state. A lady living until a few years ago remembered the departure of the Shermans from Norwalk, Connecticut, in 1811, and recalled vividly that the day of their leaving was made the occasion for religious services held at the church from which Charles Robert Sherman and his wife, with their infant child, commenced their journey on horseback.

The public school system was organized early, and Ohio was the first state to receive a general endowment by land grants set apart for the purpose of education. From such a state it is natural that leaders should arise who would play a most important part in the nation's affairs. More notable still was the general quality of the population, which was characterized by a high standard of intelligence and of moral ideals. Manifestly generals cannot win battles without private soldiers behind them who are courageous and unflinching under the fire of the enemy, nor can statesmen mould a nation's decrees without an intelligent and high-minded

electorate which will sustain or condemn them as they shall deserve.

From the very beginning political parties in Ohio were often very evenly balanced, and thus no party could remain in control unless its principles and management of public affairs were such as to commend themselves to the voters of the state. In this regard there was a check upon political manipulation, which proved a salutary feature.

In March, 1840, Mr. Sherman removed to Mansfield and commenced the study of law there. He was admitted to the bar of Ohio on May 10, 1844, his twenty-first birthday, and was engaged in the practice of law for ten years before entering politics. Both as student and as lawyer he was characterized by intense application to his work, and by a control of his habits and impulses which almost amounted to asceticism. His acquaintances of that time especially recall his careful avoidance of all demoralizing and unprofitable associations. There are few men who have maintained, at least from so early an age, so intelligent or so well sustained efforts to gain all possible results commensurate with native qualifications. The question of the prominence which he might have assumed at the bar has been given little investigation, because a few years after his election to Congress his legal practice was practically abandoned and the questions with which he had to do in his public career were not so much legal or constitutional as financial and administrative. In his "Recollections" he relates that imme-



diately upon his admission he entered into partnership with his oldest brother; that even before he was admitted he drew the necessary pleadings in the office, and was active in such petty legislation as was prosecuted before justices of the peace; and that immediately after his admission he took an active part in the trial of cases. In 1847, after three years, he says that he had accumulated property of a value of \$10,000 and was a partner in a successful business establishment at Mansfield. It was rare in those days that members of the legal profession achieved pecuniary success in a rural county, at least in so short a time; but in ten years he had acquired what at that time was regarded as a modest competence. He had shown that he possessed the qualifications of a strong man, so versatile and forceful in his make-up as to promise marked success in whatever career he might adopt.

Throughout his life he was favored with the best of health. He was rarely detained from active duty by any form of indisposition. In physical stature he was six feet, two inches in height, and, though apparently slender, he was strong and muscular. When near to his seventy-seventh birthday, in taking a walk around the city of Washington with one of his former colleagues, who was one of the younger members of the Senate, he protracted it to such length as to prove wearisome to his companion.

While at Washington he maintained a great deal of interest in his farming property near Mansfield, and, even when most absorbed in public business,

gave directions relating to its management. An expression once used by him on a visit to Ohio, about "coming to fix his fences" was much quoted as a euphemism for attention to political chances. He manifested great fondness for travel, and during his vacations visited almost all portions of the United States and also took several trips to Europe.

At his death he left a fortune, amounting to somewhat more than two million dollars. His accumulations were the result of careful and fortunate investments, the most profitable of which was the purchase of a large tract of land on the Heights in the suburbs of Washington, which he obtained with others while a member of President Hayes' cabinet.

On Sherman's first settlement in Mansfield, his grandmother, the wife of Taylor Sherman, was living there. Later in 1844 his mother, who had until then lived at Lancaster, also removed to Mansfield, where she made her home with her son John and her two youngest daughters until they were married. Both his grandmother and his mother exercised a very considerable influence upon him. The former died in 1848, the latter in 1852.

On the 31st day of August, 1848, Mr. Sherman married Margaret Cecelia Stewart, the only child of Judge Stewart of Mansfield, who was actively engaged in the practice of law when Sherman settled there in 1840, and was afterward chosen, first by the legislature of Ohio, and later by popular election, a judge of the Court of Common Pleas. During Mr. Sherman's early services at Washington,



correspondence between him and Judge Stewart was quite voluminous, and he seems to have relied upon his father-in-law for counsel in the important political movements of the time. The married life of Mr. and Mrs. Sherman was ideal. It continued for over fifty years, she dying only a few months before him. She was a woman of singular poise and dignity, well educated, a valuable helpmeet, rather averse to public life, and was no doubt sincere in saying that she did not desire her husband's election to the presidency. No children were born of this marriage, but a daughter was adopted by them, upon whom they bestowed, and from whom they received, the affection and constant attention which should exist between parents and children.

Mr. and Mrs. Sherman, after their marriage, lived for a time in a modest home at Mansfield, but later removed to a more commodious mansion located on a height commanding a beautiful view of Mansfield and the valleys in that locality. Almost every year he spent a considerable share of his time in this home. In 1864 he purchased a house in Washington and afterwards built for himself a more spacious mansion beside it. In these he made his home when there. His domestic life, like that of many public men, was the sphere of his greatest happiness, notwithstanding the enjoyment which he derived from the achievements of his public career. He was a most affectionate son, a faithful husband, and a kind father.

## II

### SLAVERY AGITATION: ELECTION TO CONGRESS

IN the autumn of 1853 Mr. Sherman sought a larger field and arranged for the opening of a law office at Cleveland, wherein two associates were located, with the expectation that he would join them in the following year. But the reopening of the slavery question exercised a decisive influence upon his future, causing him to abandon his former plans and enter upon a public career.

Slavery as an institution in the United States was at the zenith of its power in the year 1853. The number of slaves and the product of their labor may have been greater in later years of the decade, but at no subsequent time was there the same absence of active opposition. The philanthropic hope which had been cherished at the time of the framing of the Constitution, that slavery would gradually disappear without legislative or political action, had been entirely abandoned. Slave labor had become very profitable and was closely interwoven with social and political conditions in the states of the far South. Not only were the earlier opinions discarded, but the enslavement of the blacks was justified as beneficial to them as well as to their

owners. Mr. Jefferson Davis found for it a justification in every book of the Bible, from Genesis to Revelation.

Conditions in 1853 were altogether favorable to the permanent continuance of the institution. Every effort was made to destroy further agitation upon the subject. Mr. Clay in January, 1851, had joined with forty-four senators and representatives in signing a manifesto declaring they would support no one for public office who sought to reopen the question. In 1852 the two contending parties, the Whigs and the Democrats, had each unequivocally declared in their party platforms in favor of acquiescence in the compromises of 1850, and had specifically approved the Fugitive Slave Law. A most influential contingent in the presidential election of that year was made up of those who desired to put an end to the disturbing discussions which had prevailed. In a country in which commercial prosperity is eagerly sought, and where men are occupied with business pursuits, there is always a large conservative element which is seriously alarmed at the disquieting strife of bitter political contests. The weight of its influence was brought to bear against further controversy over the slavery question. The abolitionist and the outspoken anti-slavery man were regarded as disturbers who should be suppressed. Multitudes voted for Pierce because they thought the Democratic party could be more safely trusted for the maintenance of tranquillity, and he was elected by an overwhelming majority,

only four states giving their votes to his opponent, General Scott.

There was one principle, however, to which the anti-slavery radicals and conservatives alike still strongly adhered, and that was the absolute observance of the compromise of 1820, under which provision was made for the admission of Missouri as a slave state with a prohibition of slavery in all the remainder of the Louisiana Purchase north of latitude  $36^{\circ} 30'$ . While they conceded that slavery in the respective states was absolutely under state control, and the federal government had no right to interfere there, — they maintained that Congress did have authority to introduce or exclude it in the territories, and such authority had been recognized in the Act of 1820. This Act, passed after a stormy discussion, had been acquiesced in as a finality by all parties for more than thirty years. Stephen A. Douglas in a speech at Springfield, Illinois, in 1849, had referred to the compromise of 1820 as having “an origin akin to the Constitution,” and as having become “canonized in the hearts of the American people as a sacred thing which no ruthless hand would ever be reckless enough to disturb.” It only required an interference with this commonly accepted understanding to arouse again the slumbering opposition to slavery.

The developments of the twelve years from 1853 until the final adoption of the Thirteenth Amendment, abolishing slavery, show that no great wrong can be so strongly intrenched as to prevent its over-

throw. The successive events which led to the extinction of slavery followed each other in a manner as orderly, and yet as striking, as the unfolding of the plot of an absorbing drama. Nevertheless, the early destruction of this institution, apparently so impregnably grounded, can be ascribed not so much to the zeal of its opponents as to the undue sensitiveness and apprehension, the mistakes, and the exorbitant demands of its supporters. In 1853 it was difficult to convince the pro-slavery element in the Southern States that the citizens of the North were not eagerly interested in the abolition of slavery. Even so early as 1836 Calhoun had said that Webster would in time yield to influences which would make of him an abolitionist. No doubt he was correct in forecasting a probable awakening of public opinion which in time would render the abolition sentiment all-powerful, but Webster lived sixteen years after this prediction, and by no means became an abolitionist. General W. T. Sherman, who prior to the Civil War was superintendent of an educational institution in Louisiana, wrote to his brother that it was impossible to make the people of Louisiana believe that all Republicans were not abolitionists.

This misapprehension of Northern sentiment had created a settled conviction among slaveholders that if the people of the Northern States gained preponderance in the government they would destroy their property in slaves. As against such a result they favored disunion, and had reached the con-

clusion that they must either resort to separation from the central government, or gain a sufficient number of slave states to protect and maintain their favorite institution.

On the other hand, it must be conceded that they were not without grievances and certainly not without grounds of apprehension. Their wealth was derived from agricultural products which must for the most part be sold abroad, yet the supplies which they required in exchange were subjected to tariff duties, which, as was maintained, materially increased their cost. The compromisers had sought to preserve a balance in the number of free and slave states admitted to the Union. This unwritten law had been carefully observed for many years, slave commonwealths usually having a slight advantage, which was, however, not so much increased by the acquisitions from Mexico as had been anticipated. Although Texas would surely afford a great field for the exploitation of the slave régime, and there was a provision in the resolution of annexation allowing a division which should create four additional states, it was not probable that this provision would ever be acted upon, and the other territory acquired from Mexico had proved a disappointment. California, three eighths of which was south of 36° 30', the division-line prescribed for slavery in the Louisiana Purchase, had already been admitted as a free state, and there was little hope of slavery expansion in New Mexico or Utah. The chief danger of a loss of power to maintain

slavery arose from the very large territory north of 36° 30' which in a short time would be settled and must afford a considerable number of states which, if organized as free commonwealths, would give preponderating influence to states where slavery did not exist.

The Southern planters had come to feel that for economic as well as for political reasons there must be an extension of the territory in which slavery was allowed. The annoyance to them from the escape of fugitives to the free states was a constant source of irritation, although it appears to have been less at this time than in previous years. From a survey of the whole situation, however, they insisted upon increasing the amount of slave territory.

Three distinct views of the right to adopt or exclude slavery in territory not yet admitted as states were entertained at this time. The first was that adopted by the Republican party, that Congress had full power to stipulate whether slavery should exist there and might make slavery or freedom a condition when the territory was admitted. This view had been maintained and apparently prevailed in 1820. The second was that the residents of a territory might determine this question, and when their determination was made, admission as a state should follow with a recognition of the choice made by the inhabitants. This right to decide the question was styled "Squatter Sovereignty." In support of this position Mr. Alexander H. Stephens in advocating the Kansas-Nebraska Bill in 1854 said:



“Do you consider it democratic to exercise the high prerogative of stifling the voice of the adventurous pioneer and restricting his suffrage in a matter concerning his own interest, happiness, and government, which he is much more capable of deciding than you are? As for myself and the friends of the Nebraska Bill, we think that our fellow citizens who go to the frontier, penetrate the wilderness, cut down the forests, till the soil, erect schoolhouses and churches, extend civilization, and lay the foundation of future States and Empires do not lose by their change of place, in hope of bettering their condition, either their capacity for self-government or their just rights to exercise it conformably to the Constitution of the United States. . . . That is a matter that we believe the people there can determine for themselves better than we can for them. We do not ask you to force Southern institutions or our form of civil polity upon them, but to let free emigrants to our vast public domain, in every part and parcel of it, settle this question for themselves, with all the experience, intelligence, virtue, and patriotism they may carry with them.”

The third view was that entertained by Mr. Davis and by a majority of those who supported Breckinridge and Lane in the campaign of 1860, viz.: that a territory could not decide the question, but that it remained for the state, after its admission, to determine whether slavery should exist or not, free from any restriction or promise made at the time of its admission.

No time seemed so favorable for the extension of slavery as that succeeding the election of President Pierce. He was pliant to the wishes of its supporters. There was an overwhelming Democratic



majority in both branches of Congress. The excitement over the Fugitive Slave Law, while still continuing and causing occasional outbreaks, had greatly diminished since the first cases under the act, and was more and more confined to particular localities. The leaders of the slave power were confident that their better organization and more perfect unity would give them a great advantage in any contest which might occur.

It should be stated that the offensive legislation of 1854, and the years preceding, had not been initiated by those most interested in the continuance of slavery. The Border States, with the somewhat reluctant acquiescence of the far South, had demanded the Fugitive Slave Law. Mr. Jefferson Davis, then Secretary of War, gave his support to the Kansas-Nebraska Bill under protest, and at a later time referred to the doctrine of squatter sovereignty as a theory founded on transparent fallacies and leading to paradoxical conclusions. The legislation of 1854 was first proposed by Mr. Stephen A. Douglas with a view to the development of new fields for slavery, and to establish what he regarded as a proper rule for a decision of the question of its existence. His leadership secured, in May, 1854, the passage of the Kansas-Nebraska Act, by which the compromise of 1820, fixing  $36^{\circ} 30'$  as the boundary-line between free and slave territory, in states thereafter to be admitted, was nullified, and, in its place, the rule was established that the decision as to the existence of slavery should, in each terri-

tory, be left to the inhabitants. Under this Act slavery had everything to gain and nothing to lose. It was the hope of its advocates that states might be admitted with slavery from portions of the public domain from which at that time it was regarded as excluded. They were willing to take their chances of obtaining a majority in the territories where local sovereignty was to be recognized. The result was a violent reaction in the North. The feeling which had been dormant was again aroused and acquired a strength far greater than that which was aroused by the passage of the Fugitive Slave Act. As a result, in the elections in the autumn of 1854 a Democratic majority in the House of Representatives was changed to a minority.

In a government by the people there is no force more potent than the inevitable reaction against the party in power, which must maintain a definite, affirmative policy against all opposing views. Again, every political party is made up of men representing various shades of opinion. There will certainly be two divisions, the more radical and the more conservative. One or the other will be dissatisfied with the policies of the party it has supported. Those who have no well-defined political affiliations will be displeased because they believe their opinions or interests have been neglected. An army of voters will rally to the party banner before election, which will surely disband when its members come to see the difference between expectation and realization. The disappointed office-seeker increases the pre-

vailing discontent. To all these influences must be added an indefinable desire for a change, the source and operation of which defy analysis. The reaction is less when an administration is succeeded by one of the same political complexion, because the disappointment arising from unrealized hopes will not then be so great. This tendency is forcibly illustrated in the election of members of the House of Representatives, the body in closest touch with the people. In every administration, beginning with that of Andrew Jackson, to the present time, the dominant political party at the presidential election has, in the succeeding mid-presidential election, shown a falling-off in the proportion of members elected. This falling-off has been especially notable when the preceding majority has been greatest, or when the victory of the presidential year has been accepted as a mandate to enact extreme or unexpected legislation. This was well illustrated in the elections of 1854 after 1852, of 1874 after 1872, of 1890 after 1888, and of 1894 after 1892.

In an important sense the unprecedented victory of 1852 sealed the doom of slavery. Its advocates were intoxicated with triumph. They interpreted a vote of confidence, given when there was really no other party to which the people could go, as a license to place the radicals in the saddle. The wisest statesmanship was required to prevent such unwise action as would be the sure precursor of overthrow. Such statesmanship was lacking and political sagacity was lost. The opposition to the

Kansas-Nebraska Act in the North and West was deep and enduring. Complaint over the Fugitive Slave Law and the other objectionable measures of 1850 was ephemeral in comparison. It is difficult to understand how a man of the keen foresight of Stephen A. Douglas could be misled into the belief that such a measure would be popular, or even be tolerated, in the North.

Sherman was nominated for Congress less than two months after the passage of the Kansas-Nebraska Bill. No more fortunate time could have been selected for beginning a public career. The popular mind was aroused; a great moral question determined the issue. Perhaps the patriotic and intelligent citizen is more needed in public life at a time when no great burning question occupies the popular thought; but in 1854 the occasion was favorable, not only for those who aspired to give patriotic service to the country, but also for the opportunist. The Whigs were discredited and demoralized. The Free-Soilers, although they had a clear vision of the trend of events, were considered as factional and without prospect of affording a way out of the troubled situation. Former issues with which Whig leaders had been identified were subordinated or else appeared in a new form. Sherman was practically a new man in politics, so that in addition to advantages based upon his youth and ability he was free from the record of failures and mistakes for which the Whig party was held accountable.

Up to this time he had taken no inconsiderable interest in political contests. In speaking of his early party affiliations, he says: "I shouted for Harrison in the campaign of 1840. In 1842 I was enthusiastic for 'Tom Corwin, the wagon boy,' the Whig candidate for Governor of Ohio." It seems he took but little part in the campaign of 1844, although in the absence of the speaker who had been assigned, he addressed a political audience for the first time. In 1848, as well as in 1852, he was a delegate to the National Whig convention, and at the former was chosen secretary. In 1852 he was an ardent supporter of Scott as against Webster, who received the vote of New England, and as against Fillmore, who received the support of the Southern Whigs. His views during these years, as stated by himself, were strongly in favor of a protective tariff and in opposition to the attitude of the Democratic party, which was becoming more and more committed to the extension of slavery. He had heartily supported the compromise measures of 1850, probably with the disposition of all conservative members of the Whig party, who were anxious above all things to avoid sectional strife and put an end to the agitation of the slavery question. Nevertheless, he does not seem to have been imbued with any strong desire to enter the political arena. The chief objection to him both at the nominating convention in July, 1854, and in the campaign which followed was that he was not sufficiently radical in his opposition to slavery.

The canvass between nomination and election-day in this as well as in the three succeeding campaigns in which he was elected to the House of Representatives, was conducted by addressing meetings in public halls, schoolhouses, and, in the first campaign especially, in churches, which were freely opened for advocates of the anti-Nebraska cause. The candidate drove from town to town in a buggy. It is probable that at no time in the history of popular elections has there been a greater freedom from corrupt influences or the use of money than in the years 1854 and 1856. Mr. Sherman related that on one occasion he received word from the chairman of the political committee in one of the counties of his district to the effect that they were very much in need of money with which to conduct the campaign, and that the lack of it was emphasized by the loss of the activity of the leading county candidate, who was unable to take a prominent part in the contest by reason of sickness in his family. In response to an inquiry from him about the amount required and the use to which it would be applied, a reply was soon received that the campaign could be successfully prosecuted if a donation of twenty-five dollars was given, which was needed to hire conveyances to bring voters to the polls. He said this was the first and only time he was asked for a political contribution during his service in the House of Representatives. He was elected by a majority of 2823 in a congressional district which for some years preceding had elected

a Democrat. In the following year he was chosen chairman of the first State Republican Convention held in Ohio. On this occasion freedom from the entanglements which belonged to members of the old parties was urged in his favor. Salmon P. Chase was nominated for governor and elected in the following autumn. From this time until Chase's death in 1873, although he and Sherman differed on many questions of public policy, the relations between them were of a very cordial nature. So late as 1868 Sherman preferred Chase as the Republican candidate for the presidency.



### III

#### A MEMBER OF THE HOUSE OF REPRESENTATIVES

THE House of Representatives of the Thirty-fourth Congress was made up of groups. No political organization commanded a majority. One hundred and eight members were classed as Republicans, eighty-three as Democrats, and forty-three as Americans. Changing conditions arose from the gradual disintegration of the old Whig party, and the formation of the Republican, or anti-Nebraska, as well as the American, or Know-Nothing, party, which latter for seven or eight years attracted a considerable following. In the re-alignment of parties the Whigs had not yet settled upon their political associations. Presumably those in the North eventually joined the Republican party, and those in the far South the Democratic party. In the intervening country, and particularly in the States of Tennessee and Kentucky, a considerable number, after first acting with the American organization, adhered to the so-called Constitutional Union party, which nominated Bell and Everett in 1860. In 1856 the Whigs went through the form of holding a national convention, and of framing a platform, yet they could do no better than to ratify the nominees of the American party, although on vital questions their platforms were widely different.



A majority of the House of Representatives in the Thirty-fourth Congress were regarded as opposed to the administration of President Pierce, but there was not that coherence in the opposition which would make it possible to act in harmony upon any affirmative policy. The existence of groups made itself manifest at the very beginning, in the failure to elect a Speaker. The House met December 3, 1855, but although there was no adjournment for the usual holiday recess, a Speaker was not selected until February 2, 1856. The anti-Nebraska forces, or a majority of them, at first supported Lewis D. Campbell of Ohio, and the Democrats, William A. Richardson of Illinois. A great variety of methods for breaking the deadlock were proposed, such as voting by ballot; that each party should select a Speaker *pro tempore*, to preside alternately; that no motion to adjourn should be in order until a choice had been made. The tedious hours of delay were interspersed with propositions of a humorous nature, such as that no member be allowed to indulge in the use of meat, drink, fire, or other refreshments, gaslight and water only excepted, until an election should be effected. At another time in the midst of a parliamentary tangle, Mr. Schuyler Colfax proposed, as a substitute for a series of grandiloquent resolutions, a declaration that the House would heartily approve of the annexation of that part of Oregon which was surrendered to Great Britain by the administration of James K. Polk. A proposition, first made on

December 10, 1855, was finally agreed upon February 2, 1856, viz.: that if after the roll had been called three times there should be no election, it should again be called, and the member receiving the largest number of votes be declared Speaker. On the day of the adoption of this plan N. P. Banks, who, although classed as an American, was supported by the anti-Nebraskan element, was chosen.

While the House was thus without a head, of course no business was transacted. On the 22d of December, a limit of ten minutes was placed upon speeches. There was a snappy and at times able debate, in which, to an unusual degree, new men were heard, of whom there was an exceptionally large proportion. The candidates for Speaker were called upon to answer questions relating to their records and intentions, which, for directness, and it may be said for impertinence, would have been appropriate to be asked by a police-court lawyer. A custom was tolerated, almost fatal to orderly procedure, of allowing members to address the House during a roll-call, on the calling of their names. Partisanship was very manifest, but for the most part it was tempered with good-nature and a spirit of fairness. After a choice had been made under the plurality rule, it was moved that the vote be regarded as a mere declaratory resolution, not binding until confirmed by a majority vote of the House; but one of the most pronounced opponents of Mr. Banks resisted this motion, stating that before the adoption of the proposition, which he

had opposed, he was an elector, but now he was a judge.

The failure to elect a Speaker until after long delay forecast the difficulty of enacting any legislation contested by either of the two leading parties. Even if a measure had passed the House in line with the sentiments of the anti-Nebraska members, it would have failed in the Senate, where there was still a very considerable Democratic majority. The most which could be done was to prevent offensive action by the administration. There is always a handicap which rests upon coördinate legislative bodies when not in political harmony. One may pass a measure more extreme than the sentiments of a majority of its members really approve, knowing it will fail in the other body, but hoping to reach some compromise or gain political advantage thereby; or it will proceed in a halting, doubtful manner, adopting a mild measure in the hope that, notwithstanding its opposition, the other House may concur. In either case there will not be that carefully prepared legislation which would be framed in case there were a prospect of success in accord with the sentiments which a majority of the members would maintain.

Mr. Sherman took an active part in the proceedings. On the 19th of December, sixteen days after the beginning of the session, he appeared as an interlocutor of one of the candidates for Speaker, and made clear by questions his unalterable opposition to the further extension of slavery. On the

16th of January, 1856, he stated his position very clearly in these words:

"I am no Abolitionist in the sense in which the term is used; I have always been a conservative Whig. I was willing to stand by the compromises of 1820 and 1850; but when our Whig brethren of the South allow this administration to lead them off from their principles, when they abandon the position which Henry Clay would have taken, forget his name and achievements and decline any longer to carry his banner — they lose all their claims on me. And I say now, that until this wrong is righted, until Kansas is admitted as a free state, I cannot act in party association with them. Whenever that question is settled rightly I will have no disposition to disturb the harmony which ought to exist between the North and South. I do not propose to continue agitation; I only appear here to demand justice — to demand compliance with compromises fully agreed upon and declared by law. I ask no more, and I will submit to no less."

Questions relating to Kansas were uppermost in the public mind. The strongest argument made for the Kansas-Nebraska Bill had been that the principle of popular sovereignty would be recognized by its passage, and that to leave the decision relating to slavery within the States of Kansas and Nebraska to a vote of the inhabitants themselves, was most in accordance with the fundamental ideas upon which our government rests. Between the passage of this Bill in 1854, and the meeting of the Thirty-fourth Congress in 1855, it had become evident that the principle of local control in Kansas had been utterly disregarded. An influx of men from

Missouri had prevented the free and untrammelled exercise of the elective franchise by the inhabitants of Kansas. The pro-slavery adherents in Missouri were intensely interested in the decision whether the new commonwealth should be a free state. A representative convention, held at Lexington, Missouri, in July, 1855, had declared that the enforcement of the restriction of slavery in the settlement of Kansas was virtually the abolition of slavery in Missouri. This declaration was, no doubt, the conviction which was general in the latter state.

An era of disorder and bloodshed arose in Kansas, the like of which had never been known in any community in the country since the beginning of the Republic. In these contests, while neither side was free from blame, it was manifest that attempts were made to rule Kansas by force from outside, and especially by those who lived across the Missouri border. On the 19th of March, 1856, a resolution was passed by the House of Representatives that a committee, to be composed of three members, should investigate conditions in Kansas and report the evidence to the House. Mr. Howard of Michigan and Mr. Sherman were selected as the Republican members of this committee, and Mr. Oliver of Missouri, a Democrat, as the minority member. The investigation continued two months or more, most of which time was spent in the localities where the disturbances complained of had occurred. The members of the committee saw marching bands of armed men entering the terri-

tory from Missouri, and many other indications of the lawless proceedings which were prevalent. At times they were in actual danger; nevertheless they were able to take a large amount of testimony, in which they were aided by representatives of all parties. On the completion of the trip Mr. Howard, the senior Republican member, was in ill health, and so it fell to Mr. Sherman to draw the report. The testimony taken filled nearly twelve hundred pages, more than half of which related to elections in the territory.

Two elections had been held under proclamations of the Governor, A. H. Reeder, appointed by President Pierce. One of these elections, on November 29, 1854, was for the selection of a delegate to Congress; the other, on March 30, 1855, was called to elect members for a territorial legislature. These two elections were characterized by unheard-of force and fraud, most of the voters coming in armed companies from Missouri. J. W. Whitfield, pro-slavery, received four fifths of the votes cast for delegate to Congress, and pro-slavery members were elected to the territorial legislature in every district but one. The Free-State settlers held delegate conventions at Big Springs and Topeka, respectively, the former of which designated the second Tuesday of October for electing a delegate to Congress, and the latter, the same day, for choosing members of a constitutional convention. Governor Reeder, who had been removed by President Pierce for noncompliance with the wishes of the



pro-slavery party, was elected delegate, and the members elected to the constitutional convention framed a Free-State constitution under which the admission of Kansas as a state was asked.

The elections held by the pro-slavery party were conducted under the semblance of legal authority, but in a palpably illegal manner; those held by the Free-State party entirely lacked legal authority, but those selected were the choice of an undoubted majority of the settlers of the territory.

The majority report, written by Mr. Sherman, and occupying some sixty-seven pages, though largely made up of a summary of the evidence relating to election frauds in the territory, contains a succinct history of the settlement of the territory, and the reign of bloodshed and violence which had prevailed. This report concluded with a brief and very temperate summary, which was, in substance, to the effect that each election in the territory held under the organic or alleged territorial law had been carried by organized invasion from the State of Missouri; that the alleged territorial legislature was an illegally constituted body, and that their enactments were therefore null and void; that the alleged laws had not as a general thing been used to protect persons and property and to punish wrong, but for unlawful purposes; that the election under which the sitting delegate, Whitfield, a Democrat, held his seat, was not held in pursuance of any valid law; that the election also of the contesting delegate, Reeder, was not held in pursuance of law,

though he received a greater number of votes of resident citizens than Whitfield; that under existing conditions a fair election could not be held without a new census, a stringent and well-guarded election law, the selection of impartial judges, and the presence of United States troops; that the various elections held by the people of the territory as a preliminary step to the formation of a state government had been as regular as the disturbed conditions of the territory would allow; and that the constitution framed by the convention held in pursuance thereof embodied the will of a majority of the people. This report was presented to the House of Representatives on the 1st of July, 1856, and was read on that day. It created a profound impression. One hundred thousand copies of the majority and minority reports were ordered to be printed and were circulated during the presidential campaign, when political discussion was already at fever heat. The majority report was extensively distributed as a campaign document.

On the 31st of July Mr. Sherman made some remarks on the Kansas contested election case, favoring the unseating of Mr. Whitfield, the accredited delegate from the territory, in which he dwelt at length, and with marked ability, upon the conditions in Kansas. In making his closing appeal he referred to the possibility of civil war, and said: "The worst evil that could befall our country is civil war; but the outrages in Kansas cannot be continued much longer without producing it." The



House decided that Whitfield was not entitled to a seat, but also refused to seat Reeder.

The pro-slavery legislature of Kansas had met and enacted some most remarkable laws relating to slavery. On the 28th of July Sherman introduced an amendment to the Army Appropriation Bill to the effect that no part of the military force of the United States should be employed in aid of the enforcement of the enactments of the alleged legislative assembly until Congress should decide whether it was, or was not, a valid legislative assembly; and further, that it should be the duty of the President to use the military forces in said territory to preserve peace, suppress insurrection, repel invasion, etc.; further, that the President be required to disarm the present organized militia of the Territory of Kansas, and to prevent armed men from going into said territory. This amendment was adopted, though by a very close vote. The Senate struck it out, but the House insisted, and an adjournment of the session was had on the 18th of August without agreement. The President immediately reconvened Congress in extra session, and in his message urged the abandonment of the amendment. At this special session the House proposed a substitute modifying the original amendment, and providing that no part of the military force of the United States should be employed in aid of the enforcement of any enactment theretofore passed by the bodies claiming to be the territorial legislature of Kansas. The Senate stubbornly resisted,

and at last the House yielded in its contention by a vote of 101 to 98.

Sherman's achievements in the first session of the Thirty-fourth Congress gave an assured beginning for a great political career. He acquired an almost unequaled prominence, for a new member, and showed the development of those qualities which were the basis of his future advancement. He excelled in concise logical statement and was a master of excellent diction. He also showed a clear judgment in interpreting the significance of events, and boldness in initiative when new measures were required to meet existing conditions. The amendment of the Army Bill restricting the employment of federal troops in Kansas was his conception, and among all the leaders of the movement against slavery there was no one who grasped the situation more thoroughly than he, or who was a better master of practical plans for the furtherance of the objects to be gained.

Buchanan was elected President in November, 1856, and, with him, a Democratic majority in the House of Representatives. There was also a Democratic majority in the Senate, though somewhat diminished. Early in the campaign indications pointed to victory for Frémont, Buchanan's Republican opponent, who received a most enthusiastic support, including that of many who had theretofore taken no active interest in politics, but who were aroused by what they regarded as the moral issues involved in the contest. As the campaign

progressed, however, a variety of circumstances diminished the chances of the Republican candidate. Among them was a growing conviction of his personal unfitness for the exalted position of chief magistrate, a conviction which was certainly supported by his later career as general in the Union army. The constantly recurring fear of disunion caused conservatives to consider the prospect of his election with apprehension. Another fact which diminished his chances was a change in Kansas which made conditions there more tolerable and less offensive to the voters of the country. Governor Shannon, the successor of Reeder, who had proved extremely pliant to pro-slavery interests, was compelled to resign, in the month of August. He was succeeded by Governor Geary, a man of excellent character, who was disposed to manage with absolute fairness. For a few weeks preceding the election, disorder in Kansas had very much decreased, and excesses on the part of the Free-State men were not lacking. The Free-State cause suffered from the course of erratic or unduly radical leaders, such as James H. Lane and John Brown.

Buchanan was advocated because he was trusted as a statesman and a man of large experience in public life. No one had been elected President, up to that time, who had a more varied preparation for the position. He had been a member of the House of Representatives for ten years and of the Senate for an equal period; for four years he had been Secretary of State, and had also held the po-

sitions of Minister to Russia and to Great Britain. In the length of his services under the national government, he surpassed the record of any of his predecessors who had been candidates for the presidency. In addition, for nearly three years he had been occupying the dignified position of Minister to Great Britain, and had thus been removed from the hurly-burly of politics, which in time of bitter partisanship is prone to diminish the respect entertained for a public man; while at the same time his absence had relieved him from the necessity of committing himself upon some troublesome questions in which the public were interested. It was nevertheless believed that he would be entirely fair to Kansas. In Pennsylvania, where the political battle was hottest and state pride was aroused, banners were carried at Democratic mass meetings on which was inscribed: "Buchanan, Breckinridge, and Free Kansas."

The last session of the Thirty-fourth Congress met in December, 1856, under circumstances more hopeful for the anti-slavery cause than the first. Notwithstanding the defeat of Frémont, the new party had made a surprising showing of strength. The three governors who had been sent to Kansas, with the possible exception of Shannon, had become either converts to the Free-State cause, or else unwilling instruments for the execution of the plans of the administration. Many Northern emigrants were ready to enter the territory in the following spring. A considerable share of the more

judicious and moderate of the pro-slavery leaders had come to concede that Kansas would enter the Union with a free constitution. Some bent all their energies toward making it a free state, with Democratic majorities.

President Pierce, on the other hand, showed himself one of the irreconcilables. His annual message was more radical in its pro-slavery utterances than any message ever transmitted by a chief magistrate to Congress. He accused the Republican party of seeking to dismember the country. A bitter debate upon this message followed in Congress. Sherman addressed the House on the 8th of December. He took up the arguments and statements of the President — especially those to the effect that the Republican party was seeking to abolish slavery in the states where it then existed — and answered them with great skill and vigor. He accused the President of going beyond his constitutional duty, devoting “one half of his message to an arraignment of a great and growing party which the errors of his administration have called into being,” and said: “This course, . . . if followed by his successors, will convert a document heretofore looked for by all our people as an impartial state paper into a mere partisan manifesto.” In contradicting the allegation of the President that sectional prejudice called the Republican party into being, he ascribed the origin of the existing agitation to the Kansas-Nebraska Act repealing the Missouri Compromise, and added: “Sir, the very existence of the Repub-

lican party, which the President so much deploras, is one of the *effects* of this measure. If it forebodes all the evils he predicts, remember that *he* rubbed the magic lamp which called it into being." He expressly opposed any interference by the Northern people with slavery in the slave states, and declared: "If I had my voice, I would not have one single political Abolitionist in the Northern States."

While this speech was free from the gross and undignified abuse which characterized much of the political discussion of that time, it was a scathing criticism of the President. In closing, he said: "The President, having committed his last great political blunder, now, like a criminal, — I use the term in no offensive sense, — seeks to defend himself after he has been condemned. I hope he may live to a hale old age, and have time to reflect that in politics, as well as in morals, honesty is the best policy." In after years he expressed some compunctions upon the temper of his remarks, but they were quite in keeping with the bitter partisan feeling which prevailed in and out of Congress. Other Republicans made speeches at that memorable time, but it must be conceded that, for a comprehensive statement of the position of his party, and as a reply to the arguments of President Pierce and his party associates, Sherman's speech was surpassed by none.

Prior to the meeting of the Thirty-fifth Congress in December, 1857, important events had intervened. The inaugural address of President Buchanan was



disappointing to the opponents of slavery. His reference to an expected decision of the Supreme Court was regarded as ominous. Two days later, on March 6, 1857, the Dred Scott decision, supported by a majority of the court, and most elaborately explained in the opinion of Chief Justice Taney, was rendered. Of the points decided in this, which has been styled the most famous of all American decisions, only two are necessary to be mentioned: first, that a negro was not and could not be a citizen; second, that the Missouri Compromise Act was not warranted by the Constitution because property of every description was protected by that instrument, and, as the Constitution recognized property in slaves, and gave to Congress no greater or other power over slave property than over any other, that the right of the master to his property in a slave was as valid in Kansas, or in any of the territories, as in a slave state. Justice Curtis, in an able dissenting opinion, pointed out that nothing further was before the court after deciding that Dred Scott was not a citizen, and hence it had no jurisdiction to pass upon the validity of the Missouri Compromise. A few brief sentences would have disposed of the case, but apparently the members of the court favoring the decision, with the best of intentions, concluded to express opinions which, in their judgment, would have the far-reaching result of settling the slavery question. Futile efforts for the cessation of the agitation had been put forth by leading public men. Clay died in the pleasing hope

that the compromises of 1850 had accomplished a permanent settlement; Webster lost the support of lifelong friends by his advocacy of legislation which he hoped would destroy sectional irritation. It was evidently the thought of Chief Justice Taney, and his associates who joined with him in the majority opinion, that now, after the legislative and executive branches had failed, all that was needed for the permanent acquiescence of all parties was the awe-inspiring declaration of the Supreme Court. In December, 1856, in response to a question whether, if the Supreme Court should decide that the Constitution carried slavery into the territories, he would acquiesce, even Sherman had said: "I answer, yes." But the opposition to slavery was so aroused that it would not stop with disapproval of the action of the legislative and executive branches. It even treated the judiciary with despite, and regarded this opinion as but another indication of the hold which had been gained by a nefarious institution.

The decision afforded the strongest possible reason why the all-pervading influence of slavery should be checked. If it should be accepted, the question of the status of Kansas would assume a new and unfavorable stage. The first defense against slavery there was based upon the Missouri Compromise, forbidding slavery north of 36° 30'. This defense was overthrown by the Kansas-Nebraska Bill, by which the decision was to be left to the people of the territory. After dis-



turbances amounting to civil war, it was manifest that the preference of the people was for a free state; but when victory was clearly within their grasp their triumph was to be nullified by a decision which protected slave property within their borders, and made compromises of former years and popular sovereignty alike nugatory. The only hope for Kansas was to throw off the limitations which pertained to a territorial status, and assume the position of a sovereign state. Recognizing that statehood must soon be granted, every effort was made by the pro-slavery element to secure its admission with a slave constitution.

Succeeding events in Kansas may be briefly summarized. Delegates to a constitutional convention were elected in June, 1857, the Free-State party abstaining from voting. In October, at Leecompton, the delegates framed a constitution maintaining the inviolable right of the owner of a slave to such slave and "its increase." Although in the plan for the submission of the constitution the question of slavery or no slavery was submitted, there was no opportunity to vote upon the constitution as a whole, which in the provision referred to permitted the continuance of the institution. This form of submission was denounced by Senator Douglas as a mockery and an insult; also as a trick and a fraud upon the rights of the people. He parted company with the President on this issue. Governor Walker, who had been appointed Governor of Kansas by President Buchanan, violently opposed the pro-

posed action, saying: "I consider such a submission of the question a vile fraud, a base counterfeit and a wretched device to prevent the people voting even on the slavery question. . . . I will denounce it, no matter whether the administration sustains it or not."

This constitution with slavery was adopted at an election in December, 1857, at which the Free-State men again abstained from voting. In the territorial legislature, however, the Free-State men had a majority, and an election was ordered for January 4, 1858, at which the constitution itself was to be voted upon. This vote was overwhelmingly against the Lecompton Constitution; nevertheless, President Buchanan recommended to Congress the admission of Kansas under it. A bill introduced in pursuance of his recommendation passed the Senate, March 23, 1858, by a vote of 33 to 25. The House refused to pass the bill, and demanded that the constitution should again be submitted to the people. A compromise was agreed upon, under which a vote upon the acceptance of grants of land from the federal government was to be had. If the vote was favorable to acceptance, it was to be regarded as an expression of a desire for admission under the Lecompton Constitution. If it was adverse, the constitution was to be regarded as rejected and admission declined. On the 2d of August, 1858, the proposition was rejected by a vote of 11,300 out of a total of 13,088. With this decisive vote the desperate efforts to make Kansas a

slave state ceased. Statehood was inevitable, and that with a free constitution. Its consummation was, however, postponed until after the election of President Lincoln, when the act of admission was passed.

At the first session of the Thirty-fifth Congress Sherman continued to take a prominent part in the debates on Kansas, his most important contribution being made in January, 1858. He presented a resolution, unanimously passed by the legislature of Ohio, requesting him to vote against the admission of Kansas under the Lecompton Constitution or any other constitution which had not been approved by a vote of the people. He paid much attention to frauds in the elections of October and December, 1857, for election of territorial delegates and ratification of the Lecompton Constitution respectively, pointing out that from a village of six houses 1628 votes were returned. The names of the alleged voters had been copied in alphabetical order from a Cincinnati directory, and included the name of Salmon P. Chase, then Governor of Ohio. From an Indian reservation, where there were fourteen voters, 1200 votes were returned. He said that impetuous violence might succeed for a time but would leave nothing but bitterness, and closed by saying: "Let us not war with each other; but with the grasp of fellowship and friendship, regarding to the full each other's rights, and kind to each other's faults, let us go hand in hand in securing to every portion of our people their constitutional rights."

During this Congress, Mr. Sherman was a member of the Committee on Naval Affairs. Two questions were referred to this committee which gave free scope to his abilities. The first was in relation to the arrest of General William Walker, by Commodore Hiram Paulding, in Nicaragua. Walker was a persistent, adventurous filibuster. His violations of the laws of neutrality were allowed to pass with impunity, partly because the country admired his reckless daring, but more because his efforts were directed to an enlargement of territory for the exploitation of slavery. He had gained a foothold in Nicaragua, and reëstablished slavery, which had been abolished thirty-two years before, but afterwards he was driven out by a combination of the Central American states. While he received support from some portions of the South it was alleged that he was intriguing to gain the coöperation of England. In 1857 he planned an expedition to Nicaragua against which a letter of warning was issued by Lewis Cass, Secretary of State. Commander Chatard, a naval officer, was suspended for failure to arrest Walker before landing. Later Commodore Paulding, with a naval force, arrived at San Juan, in Nicaragua, arrested Walker, with his followers, and brought them to the United States.

Notwithstanding the circular letter, and the suspension of Commander Chatard, Paulding's course was not approved by the administration. President Buchanan, in a message, expressly stated: "Commodore Paulding has, in my opinion, committed

a grave error." It was maintained that he had no right to make an arrest on foreign soil. A majority of the Committee on Naval Affairs joined in a report to the same effect. This report called attention to the object of the statute under which the arrest was made, viz.: "for the purpose of preventing the carrying on of any such expedition or enterprise," that is, filibustering enterprise, "from the territories or jurisdiction of the United States, . . ." and alleged that this restricted the right of arrest, or detention, to the high seas, saying the phrase "carrying on any such expedition or enterprise" carried with it the idea of motion or progression. They further said: "We shall not here take the time to inquire into the merits of Walker. If he had violated our laws in fitting out an expedition against Nicaragua, as doubtless he had, opportunities had been afforded for holding him to account, but those opportunities had been lost. . . . He had escaped the avenger and, so far as we were concerned, had gotten into sanctuary."

These distinctions were commonly regarded as too refined for practical application, and as prompted by secret sympathy for Walker's expedition. Mr. Sherman, in preparing the minority report, maintained that the duty to arrest applied after a landing as well as before, and, at all events, that any objection on the part of Nicaragua arising from the landing on foreign soil was removed by the action of that government in returning thanks to the United States for the act of Commodore Paulding. No

action was taken by either House upon the reports, although divers resolutions were presented, varying from censure of Commodore Paulding to the granting of a medal.

The other question considered by the naval committee was in the session of the following winter, when a resolution was introduced by Mr. Sherman for the investigation of the conduct of certain officials of the Navy Department, especially in the Brooklyn Navy Yard. It was claimed that in the selecting of purchasing agents and the awarding of contracts the law had been violated, to the detriment of the service, as well as for the purpose of influencing pending elections; also that in the distribution of patronage, by allotting it to members of Congress, discipline was destroyed and the public service injured. A mass of testimony was taken and men of all parties were compelled to admit that glaring abuses existed, and subordinate officers were inefficient; but the majority maintained that nothing had been shown which should impugn the integrity of the Secretary of the Navy, and presented resolutions, the first of which is characteristic of the apologetic course pursued by political parties when seeking to extenuate admitted abuses. It is in the following language:

“Resolved, That the testimony taken in this investigation proves the existence of glaring abuses in the Brooklyn Navy Yard, and such as require the interposition of legislative reform, but it is due to justice to declare that these abuses have been slowly and gradually growing up



during a long course of years, and that no particular administration should bear the entire blame therefor."

The minority report, prepared by Mr. Sherman, recommended resolutions censuring the President and the Secretary of the Navy, stating, among other things, that the Secretary of the Navy had, with the sanction of the President, abused his discretionary power. It condemned the distribution of patronage in the navy yard among members of Congress, and the action of the President and the Secretary of the Navy in considering the party relations of bidders, and in having regard for the effect of awarding contracts upon pending elections. Although no action was taken on these recommendations of censure during the Thirty-fifth Congress, yet in the succeeding Congress the resolutions of the minority were adopted in the House by a vote of nearly two to one, a large number of Democrats voting for each, and resolutions calling for investigation of the conduct of the President were also adopted.

An interesting phase of this controversy was the action of the President. He responded with a vigorous protest, in which he complained that the resolutions for investigation deprived him of the constitutional guards for his protection which he possessed in common with every other citizen of the United States. Also, that his constitutional independence as a coördinate branch of the government was thereby assailed. He attacked those who had

offered the resolutions, and in a message to the House under date of June 22, 1860, he says: "The House, on a recent occasion, have [has] attempted to degrade the President by adopting the resolution of Mr. John Sherman." It must be admitted that these resolutions were very unusual. It was also very unusual for the President to send such an answer. The mention by the President of members of the House or Senate by name is almost without precedent in communications from the Executive.

This investigation led to radical reforms in the management of navy yards, and displays one of Mr. Sherman's most striking qualifications throughout his public career, namely, his keen insight for administrative management of different departments of the government.

On the 27th day of May, 1858, Mr. Sherman spoke on national expenditures, giving attention in detail to the condition of the finances, and attacking divers abuses which then existed. This was his first elaborate treatment of subjects which were destined in later years to absorb his time. He pointed out cases wherein the departments assumed the power to transfer appropriations, made for a specific purpose, to objects differing from those for which they had been made; also another abuse in the making of contracts in advance of appropriations. His argument was intensely partisan, and based upon the idea that no reforms were possible except with a House of Representatives in opposition to the administration. He asserted that four



years of modern Democratic administration cost more than twenty-six years in the earlier and purer days of the Republic. He gave warning of the danger of miscellaneous items, and showed that thirty-eight pages of the estimates for the session were devoted to items of this nature, amounting to \$18,946,189, and said: "In this vast mausoleum are buried your secret contracts, your jobs, your custom-houses, your marine hospitals, your post-office deficiency and post-offices, your coast-survey, your court-houses, — and a vast catalogue of jobs to partisan favorites." He pleaded for a return to the old principle of the House originating and controlling supply bills, and thus holding the Executive and Senate in check, and added that control over the public purse was "the pearl beyond price without which constitutional liberty in England would long since have fallen under the despotism of the Crown."

The abuses of which he complained were only partially corrected at the time. Indeed, with the lavish expenditures during and after the Civil War, they were greatly aggravated. In May, 1870, in the Senate, Sherman said the Admiral of the Navy had embarked upon a plan for building a navy in reliance upon the unexpended balances accumulating from appropriations under various heads during and since the war. This plan was found to be forbidden by a brief provision in an appropriation bill of February 12, 1868, restricting appropriations solely to the objects for which they were made. In

1870 a further act was passed, restricting the expenditure of annual appropriations to the payment of expenses, or the fulfillment of contracts properly incurred or made during the year for which they were intended. In 1874 another statute was passed making the law still more stringent. Under this legislation, unexpended balances on appropriations, amounting to \$174,000,000, were retained in the Treasury; \$36,000,000 belonging to a single bureau.

This speech attracted wide attention, and not only received respectful consideration from political opponents as well as friends, but was published in full in many of the journals of the day.

But for the all-absorbing slavery contest, it is probable that Mr. Sherman would have given his most earnest attention to problems of administration and finance. On several occasions he apologizes for a continuance of the discussion upon Kansas, by stating that he had hoped the time of the House could be given to the financial management of the country, but he felt compelled, by the conditions existing, to speak upon the contest there.

## IV

### THE THIRTY-SIXTH CONGRESS

ON the 5th of December, 1859, the Thirty-sixth Congress met with 109 Republicans, 101 Democrats, and 27 Americans. A speakership contest similar to that of 1855-56 was anticipated. In the former instance, a choice was made by the adoption of the plurality rule, but at this time party feeling was much more bitter, and it was not believed that a majority would agree upon such a settlement. Mr. Sherman and Mr. Galusha A. Grow were the Republican candidates for the speakership. It was agreed that no caucus should be held, but that the one receiving the larger number of votes on the first ballot should have the united support of the Republican party. On the first ballot Mr. Sherman received the larger number. The vote as between Mr. Sherman and Mr. Grow, when viewed from the standpoint of Mr. Sherman's future affiliations with his fellow members, presented several anomalies. Mr. Morrill of Vermont, with whom he was more closely associated than with any one else in his legislative career; Mr. Schuyler Colfax, who was then, and later, a close personal friend; Mr. William Windom of Minnesota, who was strongly urged by Sherman for Secretary of the Treasury in

President Harrison's cabinet in 1889, — all preferred Mr. Grow, and cast their votes for him, while Roscoe Conkling, with whom Sherman was to have serious collisions, voted for him. Of the eleven members from Massachusetts, ten, including Charles Francis Adams, Henry L. Dawes, and Anson Burlingame, voted for Sherman. Francis E. Spinner, of the well-known signature, and Reuben E. Fenton, afterwards Governor of New York, E. B. Washburne, and Owen Lovejoy, of Illinois, voted for Grow. Mr. Sherman's name was placed in nomination by Thomas Corwin. Immediately after the first vote, Mr. Clark of Missouri introduced a resolution which created a most bitter controversy. It was to the effect that no member of the House who had indorsed the work of Hinton R. Helper, entitled "The Impending Crisis of the South; How to Meet It," was fit to be Speaker of the House. It appeared that both Mr. Sherman and Mr. Grow had signed a paper indorsing this book, though both seem to have signed without any examination of its contents, or any comprehension of the storm which would be raised by it.

The failure of Mr. Sherman to obtain the speakership has been commonly ascribed to this indorsement. This remarkable volume was written by Helper in North Carolina, when only twenty-seven years of age, and was first published in the year 1857. It was a protest against slavery from the standpoint of a white man, who attacked it, — not because of sympathy for the slave, but from a con-



*Austin S. Morrill*



viction that the institution was demoralizing, and closed the gates of opportunity to the non-slave-owning whites of the South. In the preface he states, with a well-understood reference to Mrs. Stowe's "Uncle Tom's Cabin," that women might paint in fiction the evils of slavery, but it remained for men to give the facts. It included numerous tables in which comparisons were made between the Northern and the Southern States. The author points out that while the average value of lands in New York was \$36.97 per acre, the average value in North Carolina was only \$3.06, and maintained that it would be far better for the slaveholders themselves to lose the value of their slaves, and thereby obtain an enormous increase in the value of their lands. His generalizations were very bold, and his inferences from figures would not all of them bear analysis. He not only made comparisons based upon the greater wealth of the North, but made unfavorable contrasts of the mental standing of the inhabitants of the two sections, asserting that the South had no literary or scientific men to compare with those of the North.

The book created a profound sensation. It was proscribed in the South, but was found in every bookstall in the North. To the reader of to-day it would seem that its author was a bitter partisan of the Republican party, although he disclaimed any partisanship. In speaking of Buchanan and Frémont, he refers to the former as "the timid Sage of Wheatland," and to the latter as "the dauntless

Finder of Empire." The slaveholders were termed the "lords of the lash," and no effort was spared to cause them to be regarded as an offensive and proscribed class. To them, this production was even more execrable than "Uncle Tom's Cabin."

Ineffectual balloting for Speaker continued for eight weeks, during which time it was plainly apparent that the plurality rule, which had been adopted four years earlier, would not be agreed upon by the House. The time was largely occupied by debates of the most bitter nature, in which the Southern members took the leading part. Mr. L. Q. C. Lamar, and others, uttered threats of secession, of a bolder and more emphatic nature than had been heard before. In referring to the selection of a Speaker, one member expressed the hope that the House would be saved from "the burning, withering, blistering curse and shame which would result from the putting in that chair the gentleman from Ohio." On the 1st of February, 1860, after the withdrawal of Sherman from the contest, William Pennington, ex-Governor of the State of New Jersey, a man who had not previously served in the House, was elected Speaker. Mr. Sherman used to relate with satisfaction, the surprise which was manifested because Mr. Pennington filed a list of his committees, in which excellent selections were made, only a few days after the election, and explained it in this manner: Pennington came to him and asked his assistance, stating that he was new in his acquaintance with the House, and could not judge of the



capabilities of the members. Sherman responded by showing him a proposed assignment of members on committees which he had prepared while the balloting was in progress, anticipating that he might be elected. Mr. Pennington immediately adopted it with very slight changes, placing Mr. Sherman at the head of the Committee on Ways and Means. The business of the session had been very much retarded by the long struggle over the speakership, but after that was settled it was conducted in a manner which strikingly contrasted with the boisterous and violent discussions of the first two months. Mr. Sherman's attention was given, for the most part, to the appropriation bills. Mr. Morrill, his colleague on the Committee on Ways and Means, prepared the tariff bill which afterwards bore the name of its author, and which passed the House May 10, 1860, but did not pass the Senate until the following winter.

The Republican party, although in the minority in both Houses, secured the adoption of two measures in the session of 1860-61 which were entirely in accordance with Republican policies. The one was that for the admission of Kansas, the other the Morrill Tariff Act. But for the withdrawal of the senators of the seceding states, these measures probably could not have been passed. The Morrill Tariff Act deserves especial attention, because it was the first legislation upon tariff which was placed upon the statute-book by the Republican party. It was by no means so distinctively a protective

measure as later tariff acts. It contained but few of the essential features which were afterwards adopted as part of the Republican policy of protection.

There was no uniform tendency in the tariff legislation of the country prior to the Morrill Tariff Act, either in the rate of duties or the object for which they were imposed. While several tariff bills had been drawn professedly for revenue only, at no time had the policy of fostering domestic manufactures been entirely disregarded. The preamble to the first tariff act, passed July 4, 1789, reads: "Whereas, It is necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid on goods, wares, and merchandise imported." In the debate upon it, Mr. Hartley of Pennsylvania said: "I think it both politic and just that the fostering hand of the general government should extend to all those manufactures that will tend to national utility." Under it specific duties were levied on certain articles, and *ad valorem* duties, varying from five to fifteen per cent., on others.

During the next twenty years there was a considerable increase in rates, and a more minute classification, such as would naturally arise from a more perfect knowledge of the articles imported, and their different qualities. The increase in rates seems rather to have been caused by the need of additional revenue than from any desire to aid

domestic industry. The Embargo Proclamation of President Jefferson in 1807, followed by the Non-Intercourse Act of 1809, paralyzed foreign trade and necessitated a domestic supply for many articles which theretofore had been imported. The War of 1812 increased this necessity, and, as a result, domestic manufactures largely increased. On the other hand, after the Peace of 1815, importations of manufactured articles were greatly multiplied, especially from Great Britain. This was succeeded by industrial and commercial depression of a very serious nature. All these circumstances strengthened the movement for protective duties, and each succeeding tariff act, until and including that of 1828, made substantial increases in rates. This Act marks the maximum of average duties prior to the Civil War. It was styled by its enemies "The Tariff of Abominations."

In 1833, after a threat of nullification in South Carolina, another bill was passed as a compromise, the aim of which was a gradual reduction of *ad valorem* duties — which at that time averaged thirty-three and eight tenths per cent. — to twenty per cent. by July 1, 1842. The final reduction was in force only two months, from July 1 to September 1, 1842, when another bill raising duties went into effect, which, like the Act of 1828, was distinctively a protective measure. From the Act of 1842 until the Morrill Tariff Act all legislation tended toward a material decrease in duties. The Act of 1846 levied *ad valorem* duties exclusively, and made

very material reductions. The Act of 1857 still further reduced duties.

The principal argument for the Morrill Tariff Act was the need not of protection, but of revenue. Mr. Sherman, after he became Chairman of the Committee on Ways and Means, pointed out the rapidly growing deficit in public revenues, and advocated a tariff bill which should be sufficient to pay the deficit accruing since the passage of the Tariff Act of March 3, 1857, and supply a sufficient revenue for the future. In some remarks made on May 7, 1860, he said: "This deficit is not merely temporary, but it is permanent. . . . We must either diminish the expenses, increase the public debt, or increase the revenue." He showed that under the operation of the tariff of 1857 the deficit in three years had amounted to over \$52,000,000. He said that the public lands could not be relied on as a source of revenue, and advocated a system of preëemption laws, or a homestead bill. He advocated the imposition of specific duties in place of *ad valorem* so far as practicable, and stated that this change was in accordance with the views and wishes of the President, though not favored by the Secretary of the Treasury, Mr. Cobb. In his remarks on the subject he seems by no means to have overlooked the policy of fostering home manufactures. He says: "There is another reason why I desire to have this bill pass, and that is because it is framed upon the idea that it is the duty of the government, in imposing taxes, to do as little injury

to the industry of the country as possible; that they are to be levied so as to extend a reasonable protection to all branches of American industry."

That protection was not considered to be the object of the measure is shown by the remarks of Mr. Morrill. In presenting the Bill he said: "The principles upon which the present tariff bill are [is] founded do not necessarily raise the question of protection *per se*. Our manufacturers have made such advance that a revenue tariff with proper discriminations will be found, in most instances, all that may be required for a fair share of prosperity." And at another time he said: "The highest duties in the bill are proposed for the purpose of revenue. The manufacturers might get along with lower duties, but we require the revenue."

Mr. Sherman stated in a discussion with his colleague, Mr. Stanton, "When Mr. Stanton says that the manufacturers are urging and pressing this bill, he says what he must certainly know is not correct. . . . The manufacturers have asked over and over again that they should be let alone. The tariff of 1857 is the manufacturers' bill, but the present bill is more beneficial to the agricultural interest than the tariff of 1857." He then points out how much more favorable it is to the domestic growers of wool.

The average rates in the Morrill Tariff Bill were materially less than in several of the tariff acts which had preceded it, and, upon a majority of items, less than in the Bill of 1842. The general range of *ad valorem* duties was from ten to thirty per cent.

An especial feature of the Bill, and one in line with later Republican policies, was the adoption of specific duties so far as possible. The duties in the two preceding tariff acts had been exclusively *ad valorem*. In acts prior to 1846, specific and *ad valorem* duties alike appear in each measure. Occasionally it was provided, in the case of *ad valorem* duties, that the value of the imported articles should not be regarded as less than a certain sum. Duties so imposed were styled minimum duties. In other cases it was provided that a specific duty should not be less than a certain per cent. *ad valorem*. Somewhat later, compound duties, or those which combined the specific and *ad valorem*, were brought into use, but these were employed only to a limited extent in the Morrill Tariff Act, and were made applicable to the most expensive brands of cigars, iron and steel wire, woolen goods, and ready-made clothing. The avowed object in the case of woollens was to furnish a compensatory duty for the benefit of the manufactured domestic product, so as to make allowance for the duty on raw wool.

As a revenue-producing measure this Act proved a failure, largely because of the troubled condition of affairs incident upon secession. As a part of the fiscal history of the country it is of minor importance, because it remained in effect unchanged only from April 1 to August 5, 1861, the date of the passage of the first revenue act of the war period. There is no indication that in the framing of this measure the possibilities of war were taken into account, in



the least degree. Several controlling influences required very material increases in the later acts, chief among which were the necessity for greater revenue created by the existence of civil war, and the establishment of the internal revenue system, which greatly added to the cost of many domestic articles and made compensatory duties necessary. On the final passage of the Bill in the House, May 10, 1860, Mr. Sherman took charge. Several objectionable amendments had been adopted, but by his skillful parliamentary management it was restored to a form practically identical with that in which it was introduced by Mr. Morrill. In later years Mr. Sherman said of this measure: "I have participated in framing many tariff bills, but have never succeeded in securing one that I entirely approved. The Morrill Tariff Bill came nearer than any other to meeting the double requirement of providing ample revenue for the support of the government, and of rendering the proper protection to home industries." Had peace continued it would no doubt have satisfied existing conditions.

His views with reference to tariff at that time and later were well defined. He regarded an ideal system as requiring that discussions upon the subject be removed from partisan politics, and favored the appointment of a representative non-partisan commission upon whose recommendations Congress should act. He realized the impossibility of framing a perfect tariff law when the representatives of so many sections and interests have a voice in

enacting it, and thus the decision whether an article shall be subject to duty is determined, or at any rate vitally influenced, by compromise rather than by an unbiased judgment. He opposed discriminating duties, and gave only reluctant support to propositions for reciprocity. He favored the multiplication of ports of entry, both on the borders and at the more important points in the interior, maintaining that the convenience of the importer should be subserved, and that he should be enabled to receive an imported article at no great distance from his home. In his judgment the object to be gained thereby outweighed the disadvantages of increased expense of collection and the danger of fraud and inequality in appraisement.

He became a stalwart protectionist, though not an extremist in this regard, favoring specific rather than *ad valorem* duties. It is especially to be noted that he was at all times strongly opposed to the admission of competing raw materials free of duty, and regarded the continuance of protection for this class of imports as absolutely essential. Every legislator must be more or less influenced by his environment and by his constituency. In the first Congress of which Sherman was a member, he took a stand for tariff on wool, which was a leading product of his state. In all his subsequent service in Congress he was urged by the advocates of duties on wool to maintain the same position. It is evident that if this species of raw material is to be protected, other varieties must logically receive the same con-



sideration.<sup>1</sup> He favored a classification of imports into schedules, so that rates of duty on items of one or more schedules could be advanced or lowered, to meet changing requirements of the revenue, without disturbing the general scheme of taxation.

Events which threatened the overthrow of the slave power followed each other in quick succession in the spring and summer of 1860. The nomination of Abraham Lincoln for the presidency was received with great enthusiasm. The Democratic National Convention was unable to agree upon a candidate, and the result was a disruption fatal to success at the election. The existence of a third organization known as the Constitutional Union party, which sought in its platform to ignore the question of slavery, was sure to draw a larger vote from Democrats than from Republicans. Under these circumstances the Republicans entered the campaign of 1860 with confidence.

The leading political events which had strengthened the anti-slavery movement were the Fugitive Slave Law of 1850, the Kansas-Nebraska Act of 1854, and the violent efforts after this Act to make of Kansas a slave state. In addition, public opinion was kept aroused by a variety of minor events, each of which for a brief time caused an excitement equal to, or even greater than, that occasioned by the passage of laws or by public policies which displayed the evils of slavery. Among these may be counted Mrs. H. B. Stowe's work entitled "Uncle Tom's

<sup>1</sup> See pages 346, 347, *infra*.

Cabin." Mr. Rhodes, the historian, says that of the literary forces which aided in bringing about the immense revolution in public sentiment between 1852 and 1860, we may affirm with confidence that by far the most weighty was the influence spread abroad by this book. It was first published as a serial in the "National Era," an anti-slavery publication at Washington, and appeared in book form in March, 1852. Three hundred thousand copies were sold within a year. With this work of fiction may be counted Helper's book, already referred to, which was destined to increase the indignation against slavery. Another influence in this direction was the series of debates between Lincoln and Douglas, in the summer and autumn of 1858. Mrs. Stowe's novel appealed powerfully to the emotional and moral nature. The debates between Lincoln and Douglas contained the clearest expositions of the essential principles of the two parties which, up to that time, had been made.

The growing feeling, which was increasing in tension, was greatly intensified in the following year by a futile attempt on the part of John Brown to excite an insurrection of negroes in Virginia. Brown was a fanatic, intensely religious, fit to live only in a time when the sword is the implement which moves men and shapes the destiny of nations. Bred in an atmosphere of conflict, he was not fitted for an orderly, modern community. At the same time his sincerity and courage were admitted, and his resolution upon the scaffold awakened a degree

of admiration even among those who abhorred his actions. Politicians of the time engaged in perplexing conjectures as to which party would be most injured by his actions. Excitement and bitterness on both sides were certainly increased by this lawless raid, while at the same time the people of the country were brought face to face with the seriousness of the problems which were demanding solution. Those who loved law and order were appalled by such an audacious and criminal outbreak. Those most bitterly opposed to slavery looked upon the attempt as a new illustration of the horrors of the system at which it was directed.

Mr. Sherman took a more prominent part in this campaign of 1860 than in any preceding one. Part of his time was spent in the doubtful States of Pennsylvania, Indiana, New Jersey, and Delaware. In order to gain the support of Douglas Democrats, he argued that the choice of candidates lay between Lincoln and Breckinridge, and that the real issues were the questions of union or disunion, free or slave institutions. In a speech delivered at Philadelphia, which was widely circulated, he emphasized the fact that Lincoln was the only candidate who could secure a majority in the Electoral College, and, if he failed of election, the choice must be made by the House of Representatives, in which case the vote of the smallest state would have equal weight with that of the largest.

His work during the session of 1860-61, after the election of Lincoln, was divided between the ap-

propriation bills of which he took charge as Chairman of the Committee on Ways and Means, and ineffectual efforts to promote a compromise which should prevent disunion. He was more unyielding than many of his associates in the matter of concessions to the South. He had come to recognize that the conflict was an irrepressible one, and felt sure that no amicable adjustment could be reached. He especially favored measures which would detach the Border States from those of the far South, believing that in this manner secession could be nipped in the bud or rendered futile. Nevertheless he voted for a constitutional amendment, offered as a compromise, which apparently abandoned the cause for which the more radical anti-slavery advocates had been contending for many years. This amendment provided: "No amendment shall be made to the constitution which will authorize or give to Congress the power to abolish, or interfere, within any state, with the domestic institutions thereof, including that of persons held to labor or service by the laws of said state." It was recommended by a committee of thirty-three members from the House, and passed there by a vote of one hundred and thirty-three to sixty-five, and in the Senate by exactly two thirds, or twenty-four to twelve. Efforts for compromise were made by a committee of thirteen from the Senate, and by a peace congress made up of commissioners assembled under appointment by the governors of twenty-one states, but all failed, and state after state seceded, until,

when President Lincoln was inaugurated, on March 4, 1861, seven states denied the authority of the federal government, and others sympathized with them in the stand they had taken. President Buchanan had disclaimed, in his message, the right of the central government to coerce a state, and then in a hesitating manner sought to maintain national authority. The North was waiting for the administration of the newly elected President with the thought that when he should take the reins, something decisive, or at least definite, would occur.

Mr. Chase, who had been elected to the Senate from Ohio for the six years beginning March 4, 1861, was selected by President Lincoln as Secretary of the Treasury. Consequently he resigned his senatorship and after indecisive balloting for a couple of weeks in the Ohio legislature, Mr. Sherman was elected in his place. At first Sherman did not exert himself in the senatorial contest. It was his thought that he had reasonable assurance of obtaining the position of Speaker of the House, which in view of the unusual circumstances of his failure to be chosen in the preceding Congress would be regarded as a most gratifying triumph. Nevertheless his correspondence of that time shows that his preference was to enter the Senate. Mr. Sherman's service of six years in the House of Representatives terminated with his election to the Senate.

The advancement of a member of a legislative body must depend upon a variety of qualities, and, in a measure, upon circumstances beyond his con-

trol. Some at the very beginning win prominence and speedily gain a leading position; others, attracting the same attention at first, do not acquire increased reputation, because their gifts are superficial or their judgment is faulty. This is especially true of those who rely upon oratorical talent merely. With others still, qualities of leadership are slow to develop, and it is only after years that the beginner, who at first was lost in the complicated shuffle, is accorded the respect which his abilities deserve. Influence in such a body must depend largely upon the confidence which is given to the member in question. This confidence can only be gained by thorough acquaintance with him, by knowledge that his powers are symmetrically developed and that his vision is not clouded by prejudice or passion. Time is required to tell of the reliability of his judgment, because the future must verify the prognostications he has made, and, in a great degree, his efficiency as a legislator is ascertained by his capacity correctly to foresee the future bearing and result of the measures which he advocates. In a time of partisan excitement, when calmness is not the demand of the hour, an undue prominence is often given to those who are most radical. Fierce denunciation is accepted as a substitute for ability and good judgment.

Mr. Sherman not only gained prominence at the very outset, but increased in reputation as his qualities became known. In the very first month of his membership in Congress, when a motion to adjourn

for the holidays was made, he suggested that it was the first duty of the House to select a Speaker, and opposed the adjournment. His view was accepted and the House continued balloting. In the next session his answer to the message of President Pierce, already referred to, was regarded as one of the ablest presentations of Republican principles. Within four years after taking his first oath as a member he was the candidate of his party for Speaker. His speeches in the House, for fire and eloquence, compare favorably with those which he later delivered in the Senate. His native disposition was conservative, but his course was characterized by strenuous partisanship and readiness to sustain such radical views as belonged to a stormy time. His progress was steady, though at no time characterized by meteoric flights. He certainly gained a position which could only be occupied by one possessed of striking ability and solid judgment.



## V

### MEMBER OF THE SENATE. — THE CIVIL WAR AND ITS PROBLEMS

THE administration of President Lincoln was confronted with problems as serious as any ever encountered by a nation in time of trial. They were political, military, and financial. A vital feature of the political situation was the advent to power of a party organization made up of incongruous elements, whose success resulted from a combination of those opposed to existing policies and methods. The Republican party, though representing one of the most vigorous of political uprisings, had gained its strength with the people and its success at the polls largely by the support of those who were actuated by ethical principles. When intrusted with the administration of affairs its leaders realized the difficulty of maintaining an affirmative policy which would, at the same time, deserve the approval of those who had identified themselves with it on high moral grounds, and command the united support of the people.

Among the most earnest supporters of President Lincoln had been the opponents of the Fugitive Slave Law, yet at the beginning of his inaugural address, he referred to the clause in the Constitution



relating to the restoration of fugitives, and said that all members of Congress had sworn to support the whole Constitution. Mr. Trumbull of Illinois had said, in a discussion with Jefferson Davis, that the Fugitive Slave Law would probably be enforced with greater certainty under the administration of Mr. Lincoln than under the administration of either Buchanan or Pierce. Mr. Seward, while advocating a modification of that portion of the law which obliged private persons to assist in its execution, nevertheless maintained the validity and propriety of its general provisions. Mr. Lincoln had declared that the country could not endure half slave and half free, and that the agitation on the subject of slavery would not cease until the people could rest in the belief that it was in course of ultimate extinction, but he quoted, in his inaugural, from one of his speeches in which he had said: "I have no purpose, directly or indirectly, to interfere with the institution of slavery in the states where it exists. I believe I have no lawful right to do so, and I have no inclination to do so." One of the fundamental ideas of the Republican party had been that slavery must be excluded from the territories by national legislation, but, after the election of President Lincoln, Colorado, Nevada, and Dakota were granted temporary governments, by the aid of Republican votes, with no provision for exclusion. Among the members of political organizations at the North, there were many who sustained President Lincoln because they loved the Union, but who would not for

a moment have advocated the use of force with the thought that it was intended to destroy slavery.

In the management of the difficult problems of the time, President Lincoln displayed transcendent qualifications in adapting measures to existing conditions, giving the utmost consideration to public opinion, yet leading the people with such dexterity as to avoid disastrous opposition, while at the same time securing the adoption of the policies in which he believed.

It may be regarded as a fact of history that, but for the firing on Sumter in April, 1861, the states which remained true to the Union would not have been aroused to use coercion. Except for the disgraceful defeat at Bull Run, in July of the same year, the magnitude of the undertaking would not have been realized, and adequate preparation for prosecuting the war would not have been sustained. Still further, the disastrous Peninsular campaign of 1862 paved the way for the Emancipation Proclamation, promulgated in September of that year, and the further steps for the abolition of slavery.

Military problems were no less difficult and found few or none competent to solve them. Within four years after the firing upon Sumter, two million men were enlisted; a computation has been made that this number constituted a larger proportion of the male population of the loyal states than enlisted in the Revolutionary War. The great lesson to be derived from the conflict between the South and the federal government is the impossibility of prose-

cuting war in the most effective manner by a nation of civilians. There was no considerable number of regular soldiers, and the volunteers and militia, though imbued with a patriotism and an individual courage never surpassed by any soldiers in the field, proved that time and training are required to secure a thoroughly effective army. Sanitary arrangements which are so important in war were crude and entirely insufficient to make provision for so large a force. In addition, those who were enlisted for the service desired to keep in touch with home. Furloughs were frequent, and at all times the percentage of absentees was very large. In the recruiting of troops, and the execution of the draft, it was constantly necessary to take into account political considerations. Governors of states and prominent politicians frequently sent word to President Lincoln that unless the draft should be postponed or modified, important elections would be lost. The severe punishments for desertion and other military offenses, which are so necessary in maintaining discipline, were looked upon with great disfavor by the public, and were reluctantly approved by President Lincoln.

There was a great demand for the appointment of men as generals who had not received military training. At the same time it must be said that by no means all of the men educated for war, who were selected to lead the armies, showed themselves masters of the situation. The two great successes of the year 1862 were the capture of Forts Henry and

Donelson and the expedition to the mouth of the Mississippi, which resulted in the capture of New Orleans. But permission to Grant to attack Fort Henry, in February, had been refused by Halleck in the preceding month. He advised postponing an advance in that direction until April, and sought to make it a condition of offensive operations that before Grant advanced he should receive heavy reinforcements from the Army of the Potomac. After the capture of Fort Henry, Grant was ordered to devote himself to fortifying that place rather than to a march on Donelson. Fortunately the order was not received until after Donelson was captured. McClellan did all in his power to prevent the expedition to New Orleans. The popular ideal as to the merits of generals was often misleading. It was required that they be affable, confidential with newsgatherers, and ready to conform themselves to all the standards of civil life. The bombastic addresses of McClellan to his troops, based upon trivial achievements, gave him undeserved standing as a military commander.

The part of Senator Sherman in the political and military phases of the contest was an active and important one, though much less prominent than his connection with the financial management. In political policy he was conservative, and not among the first to advocate the abolition of slavery. To use his own language, in 1863: "I opposed arbitrary arrests, general confiscation, the destruction of state lines, and other extreme measures." In the conduct

of the war he criticised President Lincoln quite severely for lack of vigor and for seeming irresolution. He early realized the gravity of the contest. On the day of the falling of Sumter he wrote to his brother: "I look for preliminary defeats, for the rebels have arms, organization, unity, — but this advantage will not last long. . . . For me, I am for a war that will either establish or overthrow the government, and will purify the atmosphere of political life. We need such a war and we have it now." On the 1st of May, 1861, he wrote from Philadelphia to his wife: "I assure you this is to be no holiday war. Many battles will be fought and many lives lost, but I am satisfied our country will pass through the ordeal with increased strength and vigor."

His opinions upon military problems were very much influenced, though not controlled, by his brother, who also was one of the first to recognize the seriousness of the situation. General Sherman's letters and utterances at the time are full of fault-finding and unduly pessimistic. In every case he felt sure that military operations would fail, and this gloomy forecast of results continued until after the capture of Vicksburg in July, 1863, when he began to be more hopeful.

Recruiting stopped in April, 1862, because sanguine hopes were entertained of the speedy close of the war by the use of the forces already in the field. It was necessary to resume soon after, however, first by a call for three hundred thousand men,

and then by a call for three hundred thousand more. Sherman advocated universal conscription if necessary. He opposed the payment of large bounties, and frequently used the term "the physical power of the government," which he said he would bring to bear with all its force, meaning thereby all available men who could bear arms. His brother, as well as General Grant, called attention to the doubtful policy of consolidating depleted regiments, and impassionedlly wrote Senator Sherman to know if the provision in the Bill of March, 1863, authorizing that method, could not be repealed. He also opposed the grant of numerous furloughs, and was especially displeased by the presence of newspaper men at the front, who, in their anxiety to convey news, published much that was of value to the enemy.

An examination of the debates in the Senate makes it appear very clearly that Sherman yielded gracefully to the administration, often abandoning his own judgment on executive recommendations because of his appreciation of the dreadful emergency, and his reluctance to do anything which might in any way embarrass the prosecution of the war by those in control. He wrote to his brother: "I cannot respect some of the constituted authorities, yet I will cordially support and aid them while they are authorized to administer the government."

The activities of Mr. Sherman at the beginning of the war did not differ from those of other public men. All took an absorbing interest in the conflict,

such as they had never before taken in the country's welfare. Some made stirring speeches for the Union, advocating enlistment as soldiers. Others went to the front, sometimes carrying, as did General Logan, a musket like a private soldier. The methods employed may have been directed by impulses which were crude, but all were actuated by the same consuming spirit of patriotism. In company with the first two Ohio regiments which were enlisted, Sherman proceeded to the front, and served as a volunteer aide to General Patterson, remaining with him until it was necessary to go to Washington to attend the special session of Congress beginning on the 4th of July, 1861. So absorbing was his interest in military operations that at this time he seriously contemplated resigning his seat in the Senate to accept a commission in the army. After the adjournment of the special session he undertook the enlistment of a body of soldiers known as the "Sherman Brigade," consisting of two regiments of infantry, with a battery of artillery and a squadron of cavalry. To the organization of this brigade at Mansfield, he gave most of his time during the autumn of 1861, spending much of it in and about camp with the men. By strenuous effort he secured as field officers of the two regiments, Regular Army officers, two of whom were graduates of West Point. The brigade performed most honorable service.

The third problem of the administration was to make financial provision to carry on the great struggle. A certain degree of glamour attaches to



the enlistment of armies for the field; there were political leaders of experience and ability; but the provision of ways and means to sustain all the varied expenses of the war afforded the greatest difficulty. The financial policy of Congress and of the Treasury Department has been very much criticised. It is asserted that the war might have been prosecuted to a successful termination without the suspension of specie payments. No doubt blunders were made in the conclusions reached relating to currency and taxation. This was inevitable when untried men were grappling with unheard-of difficulties. The military administration seemed like a succession of experiments. One general succeeded another in the field, and it was not until the war had been in progress for two years that commanders were selected who rendered satisfactory service when placed in control. The same was true with the financial management, but we must judge of the wisdom or unwisdom of the time, not alone from retrospect, but by placing ourselves as much as possible in touch with conditions as they then existed.

Until 1861 the fiscal operations of the federal government had been very much limited. The controversy over the relation between the central government and the states not only pertained to the separate rights of the states, but affected as well the expenditures of the central government and the scope of its activities. The almost uniform tendency was toward restriction. Expenditures for

the army and the navy had been largely determined by the political views of the party in power. The amounts expended for the navy were considerable under John Adams, but were very much diminished under Jefferson, and though increased during the War of 1812, the total expenditures for this branch of the service did not in any one year equal \$10,000,000 until 1853.<sup>1</sup> Expenditures upon the army were very considerably larger, because of the necessary provision for armies in the field. These expenditures, however, except those growing out of the War of 1812, the Indian wars from 1836 to 1838, and the Mexican War, at no time, before 1851, equaled \$10,000,000, reaching a war maximum in 1847 of less than \$36,000,000. The prior annual expenditures of the United States attained the highest figures in 1858, when they amounted to \$74,185,270.39.<sup>2</sup> In 1860 these expenditures had fallen to a sum slightly in excess of \$63,000,000. In the year 1861, when some expenditures were made on account of the Civil War, they amounted only to \$66,546,644.89. Even these small annual expenditures were more than the revenues, which, in 1858, fell short by \$27,000,000, and in 1860 by \$7,000,000, while in 1861, during which year busi-

<sup>1</sup> Here and elsewhere in this book, when expenditures or revenue for any year are mentioned, the fiscal year is intended, which after 1842 ended June 30. In all other cases the reference is to calendar years.

<sup>2</sup> These figures are accepted from the *Annual Circular* of the Division of Bookkeeping and Warrants of the Treasury Department. They include interest and premiums on loans.

ness experienced the shock caused by the withdrawal of certain of the Southern States and the disturbed conditions incident thereto, the revenue fell short of the expenditures by \$25,000,000. We have thus a comparatively small annual expenditure, which, nevertheless, was in excess of the country's income. A season of war succeeded in which the total expenditure in the very first fiscal year, that of 1862, was more than seven times as great as in either of the two preceding wars, exceeding \$474,000,000. The staggering effect of so great a multiplication of demands upon the Treasury, requiring provision for more than \$400,000,000 in excess of the usual expenditures, is almost beyond comprehension.

This made it necessary to raise a very large sum either by increased taxation or by borrowing. Small amounts had with difficulty been borrowed in December, 1860, at 12 per cent. interest, and, at the beginning of the following year, 6 per cent. bonds were sold at the rate of 89.1.

It would be difficult to find a civilized nation which in a single year was confronted by financial difficulties so overwhelming. As against the seven-fold increase in the expenditures of the United States in a single year, 1862, the total expenditure of Great Britain during the war with France, which began in 1793, gradually increased by 1797 to nearly  $3\frac{1}{2}$  times as much as in 1792. The increase in the first year of that war was less than one sixth, and not more than might have occurred on a peace footing. After 1797 there was a gradual decrease,

caused then, as later, by intervals of peace, and the figures of that year were not again reached until 1802, and then again not until 1806, from which time there was a progressive increase until 1815, when, in the twenty-third year after the beginning of the contest, the total expenditure was about  $6\frac{1}{8}$  times as much as in 1792.<sup>1</sup> Yet in 1865, after four years of war, the expenditures in the United States were more than twenty times as great as in 1860.

The problem was how to provide for these enormous disbursements. The Morrill Tariff Bill proved disappointing. No measure for taxation could be framed which within the short space of a year could supply more than a fraction of the increased demands. Our fiscal system was absolutely lacking in flexibility. There was no such measure as the income tax, the rates of which can be raised or lowered in accordance with the needs of the time. In fact no emergency had existed which required anything of the kind. Resort must be made to loans. President Lincoln, in his message to the special session of Congress, July 4, 1861, recommended that at least \$400,000,000 be placed in the control of the government.

Mr. Chase, in his very comprehensive report at the beginning of this special session, estimated that \$320,000,000 would be required for the expenses of the ensuing year, and advised that \$80,000,000, the amount of expenses other than for war, be raised

<sup>1</sup> See *Parliamentary Accounts and Papers, Public Income and Expenditures* (1868-69), vol. xxxv, pp. 433, 441.

by taxation, and the balance by loans. In the same report he expressed a belief that the great body of the citizens of the states then involved in the calamities of insurrection, as he termed it, would ere long become satisfied and return; but later, in his report of 1863, he regrets this inadequate conception of the severity of the conflict. Of the \$80,000,000 he estimated that \$60,000,000 would be raised from customs duties and other existing sources of revenue, and recommended the collection of the remainder by a direct tax, to be divided among the several states in proportion to their population, or by internal revenue taxes. He dwelt upon the different modes of raising revenue such as duties on imports, direct taxes, and internal duties or excises and suggested numerous sources of taxation in one or another of the above categories, which might be adopted. This report, more than any other document, furnished the basis for fiscal legislation throughout the war; but Mr. Chase's estimates, and his hopeful forecast of an early termination of the war, were accepted by the leaders in Congress as a reason for bringing forward no considerable revenue legislation at that time. Mr. Stevens, at the special session in 1861, announced that the Committee on Ways and Means, after full and mature deliberation, had determined not to enter upon a revision of the tariff. Some new duties were, however, created, and others raised. Mr. Chase's recommendation for raising \$20,000,000 by a direct tax was adopted and an act for an income tax was

passed, but the latter was not made payable until June 30, 1862, and even in 1863 less than \$3,000,000 was realized from it. With the next meeting of Congress the seriousness of the situation was more thoroughly realized, and on the 21st of January, 1862, upon the recommendation of the Committee on Ways and Means, the House directed the preparation of a bill adequate to produce a revenue of \$150,000,000 per year.

Nothing is more evident than that at this time there was no adequate conception of the magnitude of the struggle which had begun. The lack of appreciation of the condition of affairs was manifest in all kinds of legislation, and is, to one who familiarizes himself with the prevalent opinions of the time, the most striking feature of the situation. President Lincoln in his special session message said: "It is now recommended that you give the legal means for making this contest a short and a decisive one."

The total increase of the taxes collected in the year 1862, as compared with the preceding year, barely exceeded \$10,000,000, and the total amount of revenue for the year did not reach \$52,000,000. Authority was granted July 17, 1861, to borrow \$250,000,000 in bonds and Treasury notes. The banks of New York, Boston, and Philadelphia arranged to lend \$150,000,000 to the Treasury upon the purchase of bonds. In making these loans they were influenced in a large degree by patriotic motives, as the credit of the government at this

time was very poor. At first these loans were more readily made because of the stagnation in business, which made deposits large and curtailed the ordinary lines of business in discounting, or otherwise, in which they were usually engaged. It was the remark of one banker that they had been doing business with the commercial community, and were now transacting business with the government.

The advances to the Treasury upon the bonds, amounting to \$150,000,000, were, in the first instance, promptly made. Although there began to be a decrease in the deposits and specie held by the banks, they readily complied with their promises, and in one instance even desired to anticipate the time within which payments were to be made. An unfavorable ruling, however, was made by Secretary Chase which diminished their ability to make payments. Under the Subtreasury Law the Secretary of the Treasury was forbidden to receive the bills of state banks, or to deposit elsewhere than in the subtreasuries. A statute was passed at the special session, which was intended to give the Secretary authority to draw checks upon the banks which had made subscriptions, in payment of obligations to contractors and others. Secretary Chase declined to do this. Had he done so, all the various machinery of clearing-houses, under which payments from debtor to creditor can be settled by transfers of deposits in banks, would have come into play and very much relieved the demand upon the currency of the country.



The career of Mr. Chase as Secretary of the Treasury has been justly commended for the high standard of honor which he always maintained, and for his stalwart patriotism. Such was the respect for his character and ability that he was able to make negotiations and accomplish results in which a man less trusted would have failed. It may, however, be questioned whether he had sufficient familiarity with the practical details of finance to give him the highest qualifications for the management of the Treasury. He was prone to demand observance of certain general principles and rules, and to dismiss at once, without consideration, modifications such as would have been suited to the emergencies of the time. Before accepting the position he had expressed great hesitancy about his fitness for it; his previous experience, though qualifying him to solve great problems of statesmanship and administration, had given no training for the position to which he was called.

Nothing could more forcibly display the discouraging situation, when the legal-tender proposition was presented at the session of 1861-62, than a comparison of Secretary Chase's reports of July 4, 1861, at the beginning of the special session, and December 9, 1861, at the regular session. In July he estimated the revenue from existing sources for the ensuing year at \$60,000,000; in December he was compelled to diminish this by \$25,000,000, or to \$35,000,000. In July his estimate of the expenditures for the fiscal year 1862, including interest and

payments on maturing Treasury notes, was \$318,000,000; but in December it was \$543,000,000, an increase of \$225,000,000, which, coupled with the error of \$25,000,000 in his forecast of the revenue, showed a difference in his estimates, in the short space of a little more than five months, of \$250,000,000. Secretary Chase had also, under authority granted at the special session, issued demand Treasury notes which, to a limited extent, had taken the place of currency, but had greatly added to the embarrassment of the banks, which were reluctant to receive these notes as deposits, because they were not legal tender, and thus not immediately available for the payment of obligations, and yet desired to receive them so as not to embarrass the government. To all these disadvantages was added the tension with Great Britain, arising out of the seizure of the two Southern envoys from the steamer Trent and the ultimatum that the two envoys should be returned within seven days or the British Minister would withdraw, — a demand which threatened immediate war.

The combination of all these circumstances created a panic. Money did not readily flow to the banks for deposit, and lenders, especially the customers of the banks, were reluctant to invest in government bonds. There were other cogent reasons which added to the argument for legal tender. On the 30th of December, 1861, the banks of New York suspended specie payments on their notes. This action was quickly followed by a similar sus-



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pension by the banks of Boston and Philadelphia. The total amount of paper currency in the Northern States, issued by solvent banks, was estimated at \$150,000,000. The loans made by the Treasury Department between July 1 and December 9, 1861, were \$197,000,000, or more than the aggregate of paper currency, and an additional issue of \$75,000,000 of bonds was in contemplation,

It was under these circumstances that the question arose of issuing government notes, not redeemable in coin, but with legal tender quality. The bill for this purpose was introduced in the House of Representatives by Mr. E. G. Spaulding, a member of the Committee on Ways and Means, on the 30th of December, 1861. This bill authorized the issuance of \$50,000,000 of Treasury notes, on the faith of the United States, payable on demand, without specifying any place of payment. They were to be in denominations of not less than five dollars each, and were to be receivable for all debts and demands due to the United States, and for all salaries, dues, debts and demands owing by the United States, and were also to be a legal tender in payment of all debts, public and private, within the United States, etc. As finally passed, the bill contained a provision authorizing holders of the notes to deposit them as a loan to the government not to exceed \$25,000,000. Deposits were to draw interest at five per cent. if retained not less than thirty days. These deposits assumed importance because of their influence in determining the volume of greenbacks issued.

It should be noticed that this bill was in several respects a distinct departure from any financial measure theretofore adopted by Congress. The first, and essential, difference was that the notes to be issued were made legal tender. The next was the absence of interest. With one exception — the Treasury notes provided by an act in 1815 — all preceding issues of a similar nature had borne interest, and had thus partaken of the nature of bonded indebtedness of the United States. Another point of difference was that there was no sinking fund or other provision made for payment, although it was provided that they might be exchanged for any of the coupon or registered bonds which the Secretary of the Treasury was then, or might thereafter be, authorized to issue.

The report of Secretary Chase at the beginning of the session dwelt at considerable length upon the question of currency. He opposed the issuance of banknotes by state banks, even questioning whether such issues were not prohibited by the national Constitution, and then referred to two plans for providing a circulating medium: one, the issue of United States notes payable in coin on demand; the other, the issuance of notes by institutions and associations, national banks, to be secured by the pledge of United States bonds. He opposed the issuance of currency by the government, observing that the possible disasters resulting from the system so far outweighed the probable benefits of the plan that he felt himself constrained to forbear recom-

mending its adoption. The Secretary then strongly advised the issuance of national bank notes. This plan was embodied in a lengthy bill prepared for presentation to Congress, but it was immediately manifest that the opposition was so formidable that no such measure could be adopted for months to come. So far as meeting present needs was concerned, the plan was impracticable because even if this new system should be established, a long interval would ensue before the banks could organize and aid the government in the manner contemplated by the Secretary.

The bill for the issuance of legal tenders, which had been introduced by Mr. Spaulding on December 30, 1861, was reported by him on the 7th of January, 1862. The amount of currency to be issued was increased from \$50,000,000, as specified in the original bill as introduced, to \$100,000,000. There was a wide difference of opinion in regard to it. It has often been stated that the discussion in Congress showed great ignorance of the problems of banking and currency; but an examination of the debates at that time disproves these statements. It is true that some arguments were made which were fanciful, and others were ingenious rather than sound, but the dangers arising from the issuance of paper money by the government were clearly pointed out. Many warning voices were raised against the proposed form of currency. Mr. Pendleton and others argued against the measure on constitutional grounds. Mr. Morrill opposed the bill,



but especially insisted that the amount of the issue should be limited. He said: "I would as soon provide Chinese wooden guns for the army as paper money alone for the army." When the bill was urged as a necessity he was over-sanguine about the early termination of the war and said: "The ice that chokes the Mississippi is not more sure to melt and disappear with the approaching vernal season than are the rebellious armies upon its banks, when our western army shall break from its moorings and rush with the current to the gulf." He termed the bill "a measure not blessed by one sound precedent and damned by all."

Mr. Alley of Massachusetts supported the bill, but said: "Beneficent as this measure is as one of relief, nothing could induce me to give it sanction but uncontrollable necessity." And further: "If you do not adopt this measure, you will see the country flooded with irredeemable bank currency, a great deal of which will be found, as after the War of 1812, utterly worthless."

Mr. Horton of Ohio opposed the bill and prophesied: "If this bill passes, as I hope and pray it will not, this will be a point from which we shall date a new financial system in the United States."

Mr. Roscoe Conkling said: "The Treasury will control and decide the war, not the war the Treasury. . . . Armies and navies may perish, and a public credit well preserved can replace them; but if the public credit perishes, the army and navy can only increase the disaster and deepen the dishonor."

He opposed the proposition to make paper a legal tender on the ground that the Constitution authorized no proceeding of the kind. He argued also against what he termed the "moral imperfections" of the bill. "It will proclaim," he said, "throughout the country a saturnalia for fraud; a carnival for rogues. . . . Every debtor of a fiduciary character, who has received from others money, hard money worth a hundred cents on the dollar, will forever release himself from liability by buying up for that knavish purpose, at its depreciated value, the spurious currency which we shall have put afloat. Everybody will do it except those who are more honest than the American Congress advises them to be." Several spoke in opposition to the legal-tender phase of the bill, to which there seemed to be much more objection than to the other provisions of the measure. Mr. Thaddeus Stevens said: "This bill is a measure of necessity, not of choice."

It must be borne in mind in considering conditions at the time that the banks and financial interests of the country were not accustomed to respond to great demands for loans. The financing of great enterprises, which has become so familiar in later days, was entirely unknown. Such undertakings as were then conducted were, in comparison, on a very limited scale. Reference has frequently been made to the great wealth of the country, which, in 1860, was estimated at over sixteen billions; but means to make this vast aggregate of property available for the preservation of the country were woe-

fully lacking. Mr. Sumner said in the Senate: "Whatever may be the national resources, they are not now within reach except by summary process." There was a notable absence of that "disposable capital" which Mr. Bagehot terms the characteristic feature of the London money market. On previous occasions when large amounts were required, resort was had to the money-lenders of Europe. At this stage of the Civil War, however, this resource was almost entirely wanting. The bonds of the Confederate States were in some quarters thought to be a better investment than those of the Union. The London "Economist" in August, 1861, in speaking of the funds required by the Northern States, said: "Europe won't lend them: America cannot." The motive at home for loaning to the government was largely one of patriotism, and bonds were taken with a feeling of uncertainty as to whether they would ever be paid.

While the Legal Tender Act was pending it was much discussed in financial circles. Delegations came to Washington from New York and other cities to oppose it. Several alternatives were proposed. The one most prominently advocated was the sale of bonds, which would necessarily be disposed of at a discount whether paid for in gold or in the depreciated bank currency which was in circulation. The borrowing capacity of the nation under the existing currency system had already been strained to the utmost by the issuance of nearly \$200,000,000 of bonds and Treasury notes during

the five months prior to the Secretary's report in the preceding December. The requirements of the succeeding twelve months were sure to be at least \$500,000,000 in excess of revenue.

As regards the proceeds of bonds, after only \$200,000,000 of United States securities had been issued, those drawing six per cent. were selling for  $87\frac{1}{2}$  in January, 1862, and five per cents at 78, a discount greater on the former than that upon the greenback until July, 1862, and greater on the latter than upon greenbacks until the end of September, when \$300,000,000 had been authorized, and the disastrous Peninsular campaign had exerted its full effect upon the finances of the country. Previous experience did not afford encouragement to those who in 1862 contemplated relying upon the issuance of bonds alone. Mr. McDuffie, in a report from the Committee on Ways and Means of the House of Representatives, April 13, 1830, states, that during the War of 1812 the government borrowed \$80,000,000 for which \$68,000,000 was received in the currency of the time, which was worth in coin only \$34,000,000, or  $42\frac{1}{2}$  per cent. on the par value of the loans. Yet the disproportion in that period between expenses and income, and between the cost during war and that in the preceding years of peace, was far less than in 1862.

The plan of the associated banks and members of boards of trade contained six propositions, involving the issuance of two-year Treasury notes and twenty-year bonds, with no limitation upon the price at

which they were to be sold; also a suspension of the Subtreasury Act so as to allow the deposit of moneys in the banks. The first proposition was to the effect that \$125,000,000 should be raised by taxation other than from customs. This method of raising revenue was no doubt to be commended, but the likelihood of its success may be judged from the fact that in 1864, two years later, after all the intervening revenue legislation, only \$110,000,000 was raised by internal revenue and direct taxes, and in the combined years, 1862 and 1863, the revenue was less than \$50,000,000 from sources other than customs. The last of the six propositions authorized the Secretary of the Treasury to make temporary loans upon the security of funded stock, or long-time bonds, with power to hypothecate such stock, and if such loans were not paid at maturity, the lender could sell the stock for the best price that could be obtained. This last proposition met with almost universal disapproval, and justly so. In time of stress it would have placed the government at the mercy of the wealthy money-lenders of the country. Bonds hypothecated would have been exposed to the danger of sale at a ruinous sacrifice, and national credit would have rested upon a most unstable foundation. The bankers who made these propositions were distrusted. Many believed that the plan to loan upon bonds which the lender might sell out as collateral indicated that they desired a method which would give hopeful promise of profitable transactions in which they might bear an important part. A sus-

picion rested upon them that, such was their viewpoint of the relation between the interests of the public and their own, although they were no doubt endowed with wisdom and actuated by patriotism, they nevertheless, unconsciously to themselves perhaps, had formulated a scheme which, while intended to help the government, incidentally would help themselves also. A revulsion followed, favorable to the Legal Tender Act. It was thought that if this was the best plan the bankers had to offer, it was better to pass the bill. The Chambers of Commerce of New York, Philadelphia, and Boston passed resolutions advocating its passage, and their opinion was concurred in by many, if not a majority, of the leading bankers of the country.

It had been reported that Secretary Chase opposed making the notes legal tender, and no doubt he contemplated so radical a step with great reluctance, but he gave his acquiescence. In a letter, January 29, 1862, to the Committee on Ways and Means, he said: "It is, however, at present impossible, in consequence of the large expenditures entailed by the war, and the suspension of the banks, to procure sufficient coin for disbursements, and it has therefore become indispensably necessary that we should resort to the issue of United States notes." In the same letter he approves the legal-tender clause. In a letter of the 3d of February, 1862, he wrote: "It is true that I came with reluctance to the conclusion that the legal-tender clause is a necessity, but I came to it decidedly

and I support it earnestly. I do not hesitate when I have made up my mind, however much regret I may feel over the necessity of the conclusion to which I come." In the same letter he said: "Immediate action is of great importance. The Treasury is nearly empty. . . . You will see the necessity of urging the bill through without more delay." February 5, he wrote a brief note, stating: "It is very important the bill should go through to-day, and through the Senate this week. The public exigencies do not admit of delay."

Several important additions were made to the bill before it passed the House. There was an authorization for five hundred millions of twenty-year six per cent. gold bonds, redeemable after five years, familiarly known as the "five-twenties." The amount of legal-tender notes was increased from one hundred to one hundred and fifty millions of dollars, with the provision, however, that fifty millions should take the place of demand Treasury notes issued by the Act of July 17, 1861, which latter were to be retired as rapidly as practicable.

The measure was taken up in the Senate on the 12th day of February, 1862. The greatest difference of opinion there, as in the House, was upon the question of making the notes legal tender.

Mr. Sherman made the leading speech in favor of this bill, on the 13th of February. Although he was with one exception the youngest member of the Senate, his record as Chairman of the Com-



mittee on Ways and Means of the House of Representatives, in the previous Congress, gave him such standing that he had been selected as the third member of the important Committee on Finance of the Senate, of which Senator Fessenden was chairman. It is to be noted that he based the argument for its passage upon the pressing necessities of the time. That he was unmindful of the dangers which lurked in the measure cannot be asserted by any one who reads his remarks. He poinsed out that \$100,000,000 was then due and pay, æ, and especially that there were arrears in tlsambligations to the soldiers, contractors, and officis uþ that the aggregate capital of the banks of tllegoree principal cities of the United States was in l\$105,000,000, and they had already taken more than their capital in the bonds of the United States; that the needed sum which was to be raised by taxation could not be obtained for six months at least; that over \$300,000,000 had to be paid out before the following July, with but small revenue; that the reason why the bonds could not be sold, even at sixty cents on the dollar, was not because financiers did not consider them good, but because there was no money with which to buy them.

The very strongest argument for the issuance of the greenbacks was the lack of a reliable and uniform circulating medium. Gold was at a premium and had disappeared from circulation. All the inconveniences attaching to the state bank

circulation were emphasized by the existing conditions. The banks had suspended specie payments, and their bills were utterly unsuited to meet the emergency. Their solvency and methods were of such a varying quality, and it was so difficult to ascertain their exact standing, that the people distrusted them.

To the argument that the Subtreasury Law should be repealed, and paper money received by the government, he answered that a worse evil would arise from that course because the banks would have every inducement to inflate; that at that time they did not pretend to pay specie, and it would not be long before there would be all the evils of an irredeemable currency of the same character, and in the most dangerous event. In supporting the pending measure, he said: "I dislike to vote for it. I prefer gold to paper money. But there is no other resort. We must have money or a fractured government." He called attention to the precedent created by the issuance of bills to be used as currency during the wars of 1812 and with Mexico, and at the recent session of Congress.

In analyzing the argument of Senator Collamer — who maintained that notes might be issued, but that they should not be made legal tender — he said: "Our creditor must take them, but we must not make his creditor take them, — the loss must fall entirely upon our creditor. . . . But I ask, is not his proposition manifestly unjust? He will compel our immediate creditor to take the

note or get nothing. . . . Shall we inflict a loss only on those who trust and labor for the government, and relieve the selfish, avaricious, idle, unpatriotic citizen who will neither fight for, lend to, nor aid the government?" Toward the end of his remarks he said: "After all, Mr. President, this is a mere temporary expedient. It is manifest that we must rely upon some other source of obtaining money. We dare not repeat this experiment a second time. If we do, we enter on the same course that was followed in the French Revolution, and also by our American ancestors." In the same line with his opinions expressed at other times upon the vigorous prosecution of the war, he alleged that the only true way was first to ascertain how much money we could afford to expend in the prosecution of the war, and then collect one half by taxation and the other half by loans, anticipating the taxation by an issue of demand notes. He does not seem to have been altogether confident of the constitutionality of the issue, for he said: "Our arguments must be submitted finally to the arbitration of the courts of the United States."

Two important changes were made by the Senate in which the House at a later time concurred. One compelled the payment in coin of customs duties, which was to be applied in payment of interest upon bonds and notes, and in part to the reduction of the public debt; the other authorized the Secretary of the Treasury to dispose of bonds at

market value for coin or Treasury notes. The bill became a law February 25, 1862.

At no time during the Civil War was it more difficult to meet the obligations of the government. Not only was the Treasury nearly empty, but there was no adequate circulating medium, and military operations were impeded by a lack of money. This Act, under which legal-tender notes were issued in the following month, created, however, a decided change in conditions. It is manifest that the legal-tender measure would not have been passed except for the almost bankrupt condition of the Treasury and the exigencies of the time. The most severe criticism which can be made upon the fiscal management of the first year of the war is that earlier steps were not taken to provide increased revenue by taxation.

Much stress has been laid upon the argument that the absence of activity in business, which would have resulted from compelling all payments to be made in gold, would have added greatly to the political difficulties of the administration. It has also been alleged that the exactions of the war became so severe, and the burdens of taxation weighed so heavily upon the country, that but for the circulation of the legal-tender notes the struggle might have been hopeless. There can be no doubt that the more buoyant business conditions, caused by the issuance of legal-tender notes, aided in the prosecution of the war. The measure, however, does not rest for its justification upon any

such foundation as this, but rather upon the substantial basis of necessity.

It would have been fortunate if the resort to paper money could have ceased with this first provision for \$150,000,000; but in a very short time the desire was manifest for further issues. In this disposition to continue a perilous experiment lies one of the chief evils of irredeemable paper currency. While the first Legal-Tender Act was under discussion, Mr. Morrill had prophesied that, within sixty days, at least twice the amount of notes at first proposed would be required. His prophecy was not literally fulfilled, but as this method of meeting obligations seemed so satisfactory, resort was again made to it to meet the increasing demands upon the national credit. The receipts from increased taxation were altogether disappointing, and at the same time the expenditures of the government were increasing beyond all estimates. On the 7th of June, 1862, Mr. Chase requested a further issue of \$150,000,000 of legal-tender notes, of which, it was suggested, a part should be of denominations of less than five dollars. This latter recommendation was based upon the demand for currency of small denominations which in normal conditions had been supplied by subsidiary silver. It was also recommended that \$50,000,000 of this issue be reserved to meet payments upon notes deposited at the Treasury as a loan, the limit of which was increased to \$100,000,000. A considerable amount of currency had been lent

to the government under this provision. The second issue was received in a manner very different from the first. By many it was thought that as the undesirable step had already been taken a further issue would not aggravate the evil. Some who had voted against taking the first step acquiesced in the second. It is a notable fact, however, that several, among whom was Senator Sherman, who voted reluctantly for the first measure, because of the unusual exigency, opposed the second. But the bill passed and became a law on July 11, 1862.

Later provisions for greenbacks were made by a joint resolution of January 17, 1863, authorizing \$100,000,000 more, and by the Act of March 3, 1863, authorizing an additional \$50,000,000, or \$150,000,000 including the \$100,000,000 described in the resolution. On the passage of the resolution of January 17, 1863, President Lincoln, while giving his approval, added a minute in which he said: "I think it my duty to express my sincere regret that it has been found necessary to authorize so large an additional issue of United States notes when this circulation, and that of the suspended banks together, have become already so redundant as to increase prices beyond real values, thereby augmenting the cost of living to the injury of labor, and the cost of supplies to the injury of the whole country." He also recommended "a reasonable taxation of bank circulation" to prevent deterioration of the currency, and advised the formation of national banking associations, to be

organized under a general Act of Congress as suggested in his message at the beginning of the session.

Prior to the resolution of January 17, 1863, there had been grave complaint that soldiers in the field did not receive their pay, and at the time of the Act of March 3, numerous claims against the government were in arrear.

The aggregate amount of greenbacks authorized by the three acts and the resolution mentioned was \$450,000,000, of which the sum of \$50,000,000 was to be held in reserve to meet the deposits to which reference has been made. The Revenue Act of June 30, 1864, forbade additional issues. The maximum amount outstanding at any time was \$449,338,902, on the 3d of January, 1864. Additional provisions were made to supply the absence of subsidiary silver on the 17th of July, 1862. Postage stamps were made a legal tender for dues to the United States of less than five dollars, and on the same date with the granting of authority for the last issue of legal tenders, — March 3, 1863, — a fractional currency in denominations of fifty cents or less was provided, the amount of which, including postage and revenue stamps employed as currency, should not exceed \$50,000,000. The desire for further issues of irredeemable paper was diminished by a notable increase of revenue which became manifest in the autumn of 1863, and by the readier sale of bonds.



The total expenditures of the government from the beginning, in 1789, until June 30, 1861, had been slightly less than \$1,800,000,000. In the four succeeding years of civil war this total of seventy-two years was almost doubled, the aggregate expenditure from June 30, 1861, to June 30, 1865, reaching the enormous total of \$3,350,090,808. According to an official statement prepared when Mr. Sherman was Secretary of the Treasury and published in 1880, the total expenses during the Civil War, and resulting therefrom, that is, in the years from 1861 to 1879, aggregated \$6,189,929,908. In this vast sum must be included very nearly \$1,750,000,000 for interest on the public debt, the largest item; slightly in excess of \$1,000,000,000 for the pay of the soldiers; \$400,000,000 for pensions, and nearly an equal amount for the subsistence of the army; \$345,000,000 for clothing, and \$336,000,000 for transportation. The expenses in the four years reached their maximum in 1865, rapidly increasing until that year. Singularly enough, the year ending June 30, 1861, did not show any marked increase in the demands on the Treasury. As regards disbursements it is rather to be ranked with the preceding years of peace than the four succeeding years of war.

The influence of Mr. Sherman was at all times on the side of economy, though his efforts were rendered almost powerless in the overwhelming press of the time. At an early date he proposed a commission to investigate the salaries of the employees

of the different departments. Work upon this, however, was practically abandoned because the increased cost of living made it evident that no substantial reduction could be made.

## VI

### TAXATION AND LOANS. — NATIONAL BANKING SYSTEM

THE colossal expenditures of the Civil War period were met by taxation, and by loans. With loans should be included the irredeemable paper money which was issued, and with taxation, certain minor and incidental sources of revenue, such as the proceeds of confiscated property, and the sale of public lands.

Revenue was mostly derived from customs duties and internal revenue. In the beginning it was stated that the people were praying to be taxed. Before the close of the contest it might have been said with equal accuracy that rewards were offered for the suggestion of anything to be taxed which had not already been discovered and tried. Until July 1, 1862, the receipts from customs furnished practically all the revenue of the government, less than 6 per cent. being collected from all other sources in the years 1861 and 1862. In 1863, however, a radical change commenced, approximately one third being derived from internal taxes. In 1864 more was derived from internal taxes than from customs; and in 1865, 1866, and 1867, these taxes furnished considerably more than half the total revenue.

The proportion of revenue to expenses gradually increased also. In 1862 the amount realized from all forms of taxation was less than one ninth of the total expenses of the year, but in 1865, although expenditures had increased by more than \$800,000,000 over 1862, the revenue was more than one fourth. By this time the capacity of the people to endure taxation had been tried, and, as a result, the income of the government, as counted in the depreciated currency of the time, in three years had increased more than sixfold; in the following year of 1866 it had increased to more than tenfold, — which, even after taking into account the premium on gold, was a gain unprecedented in the fiscal history of nations, and a proof alike of the unlimited resources of the country and of the patriotism of the people, who were willing to submit to such a multiplication of their burdens.

The course of tariff legislation during the conflict is marked by several well-defined, though not harmonious, tendencies: first, an effort to derive the greatest possible revenue from duties in order to meet the increased demands upon the Treasury; second, a desire to do away with imports in the greatest possible degree, because they caused large exportations of gold, which were thought to threaten the financial strength, and even the very life, of the government, so that some even avowed a desire to fix the rates so as to exclude importations entirely; third, the adjustment of tariff schedules

so as to benefit domestic industry. It does not appear that in the first year or two of the Civil War those whose business interests would be favorably affected by increasing duties made especial effort for higher tariff schedules; but at a later time they became active and endeavored to shape legislation so as to add to their profits. Still another object of tariff legislation was to offset the specific and *ad valorem* internal revenue taxes which were levied upon a number of articles, and necessarily increased their cost.

In the confusing mass of tariff legislation which was adopted during the Civil War, two or three measures stand out prominently. The first legislation became effective August 5, 1861. It increased the duty on sugar, salt, spices, drugs, and other articles, and established duties on tea and coffee. Further duties on tea, coffee, and sugar were levied early in the following session by the Act of December 24, 1861. The first great Tariff Act of the Civil War became a law July 14, 1862. Its object, as stated by those who presented it in the House, was primarily to increase duties to such an extent as might be necessary to offset the internal taxes adopted during the same month. This measure carried a substantial increase in duties. In most cases in which the alleged reason was to meet internal revenue taxes, the additions were more than ample. No further important increase was made until April 29, 1864, when by a joint resolution, expressed in a few brief lines, all

duties except those on printing-paper for books and newspapers, were increased by fifty per cent. This resolution, which at first was to be enforced for only sixty days, was afterwards extended to July 1, 1864. On the day preceding the expiration of the extension, the Tariff Act of June 30, 1864, a comprehensive measure, became a law. The Act of 1862 was entitled "An Act increasing *temporarily* the duties on imports, etc." The Act of 1864 contained no such limitation, although Mr. Morrill, in presenting it, said: "This is intended as a war measure, a temporary measure." It was framed with a view to afford ample protection to domestic industries. It was prohibitive in many of its schedules, and carried other rates, imposed for the purpose of revenue, to the highest possible figures. Under the Act of 1862 the average rate on dutiable commodities had been 37.2 %; under the Act of 1864 it became 47.06 %. The latter Act assumes especial importance because, as regards foreign products which compete with domestic, it continued, though with considerable alterations both in the raising and lowering of duties, as the basic tariff law of the United States for nearly twenty years. If any tendency is to be detected in the various subsequent acts within that period it is in the direction of increase.

It would be impossible in a brief compass to give all the various kinds of internal revenue taxes imposed during the Civil War period; or to set forth any well-defined principles which prevailed

in their adoption. The first measure levying these taxes was coupled with the Tariff Act of August 5, 1861. It imposed a direct tax of \$20,000,000 upon the states of the Union including those then in insurrection, also an income tax of 3 % on incomes in excess of \$800. Internal or excise duties had been strongly advocated by Hamilton, and notwithstanding turbulent opposition, and a large percentage of cost for collection, they were resorted to with fairly favorable results for a period of ten years prior to Mr. Jefferson's administration. But on the advent of Mr. Jefferson and his party in 1801, all these taxes were repealed. The committee having the bill of repeal in charge referred to the system as an iniquitous one. Internal taxes were again imposed, for about four years, during and after the War of 1812, but were repealed when the immediate pressure of additional expenses was removed. Even under the overwhelming pressure for increased revenue during the war, the Union leaders in Congress hesitated to restore this method of taxation because they feared that the visit of a new tax-gatherer would render it obnoxious, and that the collection would be attended by serious embarrassment because of popular opposition and difficulties in administration.

Two theories with reference to these taxes were advanced, one, that they should be levied on the greatest number of articles, so as, it was argued, to diffuse the burden among the people; the other, that only a very small number of articles should be



taxed. The former view was maintained by Mr. Morrill in the House. The other plan was favored by Mr. Sherman in the Senate. On presenting the first general bill in the House in March, 1862, Mr. Morrill said:

“ . . . We have all the world before us where to choose. In doing this we have to be just. If it would not do to quarter the immense Army of the Potomac on the District of Columbia alone, no more would it do to press any single interest with the entire burden that now weighs down upon the Treasury. The weight must be distributed equally, . . . in a just proportion to the means and facility of payment. . . . A heavy duty upon some articles would banish them from use, while upon others it would merely stimulate greater activity and industry to obtain them. A tax dependent upon the habits or vices of men is the most reliable of all taxes, as it takes centuries to change or eradicate one or the other. The orbit of the United States and the States must be different and not conflicting. . . . Seeking to avoid all extremes, the committee have thought best to propose duties upon a large number of objects, rather than confine them to a narrow field; . . . to set out on a moderate scale, . . . rather than attempt to make any one product the victim from which to torture magnificent bounties.”

When the bill had passed the House and was pending in the Senate, Mr. Sherman argued that a great many classes in the different license schedules ought to be stricken out, and said: “This bill, if it was reduced to a few simple propositions, would be an excellent tax bill.” For illustration, he called attention to the provision for taxing employments, which he thought had been extended further than it

ought to be, and added: "You tax almost every kind of employment from a juggler up to a lawyer, if there is any graduation between them; some people think there is not. I think it is an invidious kind of tax, and I am opposed to the great body of it." In his general contention it is now very generally agreed that he was right. The tendency of the most progressive nations after a trial of the system of internal taxes has been to diminish to a minimum the number of objects on which these charges are levied.

At one time Sherman took a very radical stand on this point and also advocated a great increase in taxation. While conceding that the House measure, which it was estimated would yield \$250,000,000 per annum, must be followed, he said: "I believe that an income tax of ten per cent. on all incomes above the mere product of a man's daily toil; a tax of twenty-five or even fifty per cent. on manufactures fairly collected; a large tax on those articles of luxury consumed by the rich; and then a tax on common carriers, who are but the freight agents of this country, would yield more than twice as much, with far less trouble and expense in collection. We could then dispense with all the insignificant and trifling taxes with which the bill abounds." He added that he felt more alarm at the condition of the currency than at the system of taxation, and suggested that the greatest benefit which could be gained was by reducing the currency to a stable basis, so that every note would be the representative,

or nearly the representative, of gold and silver. He pointed out that, in the struggle with Napoleon, England for years collected sixty per cent. of her war expenditures by taxation, raising the income tax to fifteen per cent.

In this legislation Sherman yielded his own preferences. The action of the Senate, especially in the later years of the war, was dominated by the prevalent rush to provide immediate means for the prosecution of the war. As an illustration it may be said that the important Tariff Act of 1864 passed the House after three days' discussion, and in the Senate was passed on the day following that on which it was taken up. Mr. Sherman also frequently took the stand that the House had the framing of revenue legislation, and that unless some exceptional objection existed, its judgment should prevail.

The first comprehensive Internal Revenue Act became a law July 1, 1862, after three months' delay in committee room and in the House and Senate. It included a tax upon malt and distilled liquors, license taxes upon various professions or occupations, taxes upon manufactures and specific products of use or luxury, also upon the gross receipts of divers corporations, including transportation companies, and upon the dividends of banks and other financial institutions. The exemption in the income tax was reduced from eight hundred to six hundred dollars, and numerous stamp duties were created.

The greatest difficulty did not arise from the discontent of the people, — which had been very much feared, — but from faulty administration and from frauds. It was necessary to build up the system anew without any precedent except those which were very remote. The first year's revenue was extremely disappointing. As against an estimate of \$100,000,000 by Congress, and \$85,000,000 by Mr. Chase, the actual amount realized was only \$37,000,000. But in the following year, under more perfect administration, the receipts began to equal the expectation of those who had recommended the law. The rates were very greatly increased, and new items included by later statutes, notably those of June 30, 1864, and March 3, 1865. By the close of the war the system of internal taxes included a greater variety of objects, and brought a larger number of people into immediate contact with the national system of taxation than under any previous plan for raising revenue. In speaking of its effect, an Austrian writer (von Hock) has said:

“The citizen of the Union paid a tax every hour of the day, either directly or indirectly, for each act of his life; for his movable and immovable property; for his income as well as his expenditure; for his business as well as his pleasure. Stamps were affixed to the smallest agreement, and the most insignificant bill of exchange bore a tax ranging in amount from that on a small receipt to one of twenty dollars.”<sup>1</sup>

<sup>1</sup> Quoted by Frederic C. Howe, *Taxation in the United States under the Internal Revenue System*, p. 65.

Repairs on buildings were taxed. The householder could not improve his dwelling without paying a fine for the privilege of doing so. Every successive process of manufacture was taxed, as well as almost every operation of business or commerce. The simplest transfer of title to property could not occur except the state laid its hands upon the transaction and levied a fee.

Notwithstanding the adoption, in the beginning, of principles of taxation which were manifestly erroneous, and in spite of many deficiencies in administration, the system of internal revenue taxation deserves to rank, with the establishment of the national banks, as one of the two great fiscal measures of the Civil War which were destined to endure. From the great mass of articles a few were selected as proper objects for the imposition of permanent taxation. Experience taught the best methods of organizing and managing the machinery of assessment and collection. The proportion of cost to collection is now materially less for internal taxes than for duties on imports, and it is probable that the share of government revenue to be derived from this source in the future will increase.

Of the more than \$3,000,000,000, required for the expenses of the four years from 1861 to 1865, a portion in excess of three fourths, or to speak exactly, 77.24 %, was supplied by loans. As already stated, the prospect for borrowing at the end of President Buchanan's administration was most

unfavorable.<sup>1</sup> In fact there had been difficulty in disposing of bonds at all.

Under Secretary Chase, an attempt was made to observe several well-defined rules in securing loans. He was especially insistent in seeking to make them redeemable after a short period because, as he stated, with the increasing supply of gold, it was almost inevitable that rates of interest would fall, hence it was desirable that a way be left open to substitute, at an early date, bonds drawing a lower rate of interest for pending loans. He termed this "controllability." In his report, in 1863, the following were stated as the objects steadily kept in view: first, moderate interest; second, general distribution; third, future controllability, — the feature above described; fourth, incidental utility. The average rate of interest on the whole debt, including non-interest-bearing notes, had declined from 4.36 % on the 1st day of July, 1862, to 3.95 % on the 1st day of October, 1863. With the increase in the issue of bonds this average rate became higher. The second object was the distribution of the debt among the greatest number of holders. Every effort was made to this end. The first plan for distribution involved the employment of a large number of agents in many places, all of whom were to act under the direct control of the Treasury Department. This arrangement was found to be inadequate, and the Secretary employed as a general agent, Jay Cooke,

<sup>1</sup> See page 90.

who organized agencies in all portions of the country, and through sub-agents disposed in a comparatively short time of nearly four hundred millions of five-twenty bonds. The Secretary in commenting says: "The history of the world may be searched in vain for a parallel case of popular financial support to a national government." The fourth object, incidental utility, was sought to be derived from the acceptance of deposits at an interest not exceeding 5 %. The amount of these deposits, as already mentioned, was at first limited to \$25,000,000, afterwards to \$50,000,000 and then to \$100,000,000. To secure their payment a reserve of \$50,000,000 of United States notes was maintained.

The loans or obligations incurred by the government during the Civil War may be roughly divided into three classes: first, long-period loans, including the twenty-year bonds drawing 6 %, issued under legislation of July and August, 1861; the five-twenties, payable in twenty years, but redeemable after five years; the ten-forties, provided for by legislation enacted March 3, 1863, and June 30, 1864, payable in forty years, and redeemable in ten years. Second, short-time loans; some of these were issued at a high rate of interest, especially in the early years of the war when the credit of the government was poor; among these may be included the seven-thirties, payable in not to exceed three years, the rate of interest on which was fixed at 7.3% because, at this rate, one penny a day accrued on a fifty-dollar bond; Treasury notes



running a minimum of sixty days and a maximum of three years; temporary loans at 4, 5, or 6 per cent., redeemable after ten days' notice; certificates of indebtedness to creditors who elected to receive them, payable on or before a year after date; notes running one and two years at 5 %. Third, notes which bore no interest, available for use as currency, some not having legal-tender qualities, and others, like the greenbacks, endowed with that capacity. Demand notes, authorized early in the war, were not legal tender, but were receivable for customs as well as for all other public dues. Some were in circulation until March, 1864, and by reason of their availability for the payment of duties, they commanded a premium nearly as high as that upon gold.

Not only were the bonds and securities heterogeneous in character, but it was a feature of many of the short-time bonds that they might be exchanged for those running a longer period. At the close of the war there were thirty-two varieties of outstanding obligations.

The bonds issued after gold had disappeared from circulation did not, prior to the ten-forties of March 3, 1863, contain a promise that the principal should be paid in coin, although it was expressly agreed that the interest on the five-twenties should be so paid.

The national debt, on the 1st of July, 1861, was \$90,580,873.72.<sup>1</sup> It did not reach its maximum

<sup>1</sup> Figures giving the amount of the public debt are taken from the *Treasury Finance Report of 1897*.

at the date of the virtual close of the war, in April, 1865, but, by reason of the liquidation and payment of numerous outstanding claims, it was greatest on August 31, 1865, when it amounted to \$2,844,649,626. Between the time of Lee's surrender, in April, 1865, and the date of this maximum amount, the debt increased at the rate of nearly \$3,000,000 a day.

The Secretary of the Treasury had shown surprising timidity in recommending increased taxation. In his report, in December, 1861, he said: "It will be seen at a glance that the amount to be derived from taxation forms but a small portion of the sums required for the expenses of the war. For the rest, the reliance must be placed on loans." In his report of December, 1862, he repeated: "But the chief reliance, and the safest, must be upon loans." He explained these recommendations in his report of 1863, in these words: "Hitherto the expenses of the war have been defrayed by loans to an extent which nothing but the expectation of its speedy termination could fully warrant." In this respect the views of Mr. Sherman were exactly the opposite. He favored the largest possible revenue from taxation. The two consulted frequently, and in many instances Mr. Chase depended upon Mr. Sherman to secure in the Senate the passage of measures which he desired to have adopted; but, as regards methods of providing means to prosecute the contest to a successful termination, they were widely at variance.

Throughout the war it was possible for the Secretary to exercise very potent influence on financial conditions by his selection of means to meet current demands. If he relied upon long-time bonds for funds, the tendency was for gold to fall. If he issued greenbacks, gold rose in price, because with every additional issue of irredeemable paper currency, or its greater use in payments from the Treasury, paper money was depreciated in value. The Secretary has been very much criticised for his attempt to float a five per cent. bond under the Act of March 3, 1864. A desire to lower the rate of interest was certainly praiseworthy, but it is charged that when these bonds did not readily sell, the Secretary sought to force their acceptance by glutting the money market. The sale of five-twenties at six per cent. had been ample to satisfy the demands on the Treasury, but bonds at a lower rate were disposed of with difficulty. When Secretary Fessenden took charge of the Department, July 1, 1864, he reversed the policy of his predecessor, and returned to the sale of six per cent. bonds.

The premium on gold varied under the influence of a multitude of circumstances, chief among which was the success or failure of the government in its military operations. With the defeat or victory of armies in the field, gold rose or fell. In the same category may be classed the indorsement or defeat of the administration at elections; also our foreign relations, which caused distrust when there were threats of intervention, or com-

plications such as arose after the seizure of the Trent. Other very important factors were the amount of legal-tender notes, as determined by legislation, and the policy of the Treasury Department in the meeting of obligations. The issues of state banks, which increased very considerably during a portion of the Civil War, added to the paper-money inflation, and exercised a very considerable influence upon the premium on gold. Another potent influence lay in the operations of the gold market. It is probable there has never been an instance in which the opportunities for profit by mere speculative manipulation have been so great as in the case of the purchase and sale of gold during the Civil War. A maximum price was reached in Wall Street, July 1, 1864, just after the resignation of Secretary Chase, an event which was seized upon as an excuse to advance the premium to a figure far in excess of that for which any substantial reason existed. This was followed in the same month, when Early was threatening Washington, by a still higher price, 285, the highest quoted. In view of the very considerable decrease of the premium during the successful military operations in the autumn of 1864 and the winter of 1864-65, it was anticipated by many that it would entirely disappear with the close of the war.

The legislation establishing the national banking system was one of the most important events during the Civil War. Unlike the legal-tender acts it was anticipated at the time that the laws estab-

lishing the national banks would be permanent. Notwithstanding the absorbing attention required for affairs purely military, Congress and the Executive Department gave heed to a subject which ordinarily would only be considered in a time of peace. Such a measure would have been impossible in the preceding years. The opposition to centralization had been so strong that a system under which the banks of the country, or the leading banks, were to obtain federal charters and be placed under the supervision of federal officials located at Washington, would have been defeated. This is particularly true when we consider that the leaders of the Democratic party retained a vivid recollection of the strenuous contest between Jackson and the United States Bank. While there was a very marked distinction between one central banking institution, such as Jackson opposed, and a multitude of banks scattered over the different states, under regulations by which five persons or more could associate themselves, and, on complying with certain conditions, obtain a charter, yet in the popular mind the very considerable difference between the two would not have been recognized.

A number of conditions favored the establishment of national banks, chief among which were the objections to the note circulation of existing banking corporations. The bitter experiences of the people, in frequent losses from failure of local corporations, had created a strong impression. It

was estimated that five per cent. of the bills in circulation proved worthless each year. In addition to this there were manifold difficulties arising from the necessity of exchanging bills of banks which were widely separated. A very serious difficulty also arose from the frequent counterfeits, rendering it necessary that an expert should pass upon a package of bills, and in many instances even the most practiced cashier could not be sure whether a note was genuine. In some remarks made by Senator Sherman he gave the number of banks issuing notes in 1862 as fifteen hundred, while the number whose notes were not counterfeited was only two hundred and fifty-three. Of the various kinds of imitations, alterations, and counterfeits there were more than six thousand. The inefficiency of the old system was universally recognized. Under a Democratic administration, Secretary Guthrie, in 1855, had said that if the states continued the chartering of banks, with authority to issue and circulate notes as money, and failed to apply any adequate remedy, Congress might be justified in the exercise of the power to levy an excise upon the notes and thus render the authority to issue and circulate them valueless. Secretary Chase in his report of July 4, 1861, recommended a tax upon state bank circulation, and in his report of December, 1861, he fully committed himself to the establishment of national banks. The measure prepared in pursuance of his recommendation was at first treated as too

important for early consideration, and afterward received with pronounced disfavor. Mr. Stevens filed an unfavorable report. It is not difficult to realize the opposition of existing banks to such a revolutionary measure. Such opposition under ordinary circumstances could not have been overcome.

Mr. Sherman became convinced, as he says, long before he entered Congress, that the whole system of state banks, however carefully guarded, was both unconstitutional and inexpedient, and ought to be overthrown. He especially distinguished between the ordinary powers of banking and the issue of bills, and dwelt upon the number of great banking institutions which did not issue them. In the discussion of the Revenue Act of July, 1862, he had proposed an amendment imposing a tax of two per cent. on the annual circulation of state banks. He said the right of the banks to issue bills was worth \$9,000,000 per annum, and was about the only franchise or property right not taxed. The amendment was defeated by a vote of twenty-seven to ten. In July, 1862, a second bill for a national banking system was framed and introduced. It was prepared by Secretary Chase with the aid of Messrs. Spaulding and Hooper of the House and of Mr. Sherman, but the opposition seemed to grow stronger. In December, 1862, Secretary Chase renewed his recommendation and appealed to Mr. Sherman to remodel the bill and take charge of it in the Senate. In a letter to his wife, after



the debate on the bill in the Senate, Sherman writes:

“Chase appealed to me through Cooke to remodel the bill to satisfy my views and take charge of it in the Senate. The appeal was of such a character that I could not resist, although I foresaw the difficulties and danger of defeat. When I made the speech on taxation of state bank bills, I had not determined what to do, but carefully avoided any reference to the National Bank Bill. That speech brought me into correspondence with bankers and others, and while giving me some reputation, compelled me to study the preference between government and bank currency and led me to the conviction that it was a public duty to risk a defeat on the Bank Bill. I thoroughly convinced myself, if I could not convince others, that it was indispensable to create a demand for our bonds, and the best way was to make them the basis of a banking system. When you reflect upon the magnitude of interests involved you will be impressed what a task this was. Not a step could be taken without a contest with local banks of great power and extensive ramifications. However, I carefully examined Chase’s bill, made several important alterations and restrictions and introduced it. . . . During the struggle I was very anxious, and scarcely slept, and now feel all the lassitude consequent on a long mental effort.”

It is to be noted that after several failures in the House, the Bill which became a law was first introduced and passed in the Senate. It was not presented for consideration until it was reported by Mr. Sherman on the 2d of February, 1863. In his argument sustaining the measure he stated briefly, yet comprehensively, the principal arguments for the new system. He said: “We are about to choose

between a permanent system designed to establish a uniform currency . . . and a system of paper money without limit as to amount except for the growing necessities of war." He enumerated the benefits which the United States would obtain from the system; namely, that there would be a market furnished for the bonds; that it would furnish a medium by which the state bank paper might be gradually absorbed — not by any harsh measures; that it would furnish a convenient agency for the collection of taxes; that it would make a community of interest between the stockholders and the banks, the people and the government. He continued: "At present there is a great diversity of interests. The local banks have one interest, and the government has another. . . . The similarity of notes all over the United States will give them a wider circulation; . . . banks would be guarded against all frauds and alterations [that is, in their notes]; . . . they are made, by this law, depositories of the public money; . . . These notes are to be receivable for taxes due to the United States." It was evident from the discussion at the time that in adopting the national bank system it was understood that a means would be established by which the sole paper currency of the country should be provided in the future. Indeed, Mr. Sherman says, in the speech just quoted, that at the close of the war the legal tenders would be banished.

In his remarks on February 10th he ascribed

supreme urgency to the measure, saying: "The establishment of a national currency, and of this system as the best that has yet been devised, appears to me all important. It is more important than the winning of a battle. . . . Sir, we cannot maintain our nationality unless we establish a sound and stable financial system, and, as the basis of it, we must have a uniform national currency."

Minute provisions were made for safeguards, both for the protection of the government and of depositors. The noteholders were to be secured by a deposit of bonds, which should be in excess of the issues of the bank in the proportion of 100 to 90, and deposited with the National Treasury at Washington. Two objects assumed greatest prominence,—to provide a market for government bonds and to secure a uniform and stable currency. It is difficult to state which of the two secured for the measure the greatest support.

The Act became a law on the 25th of February, 1863. As originally passed it consisted of sixty-five sections. The early results did not equal expectations. The amount of bonds taken by banks as late as November 25, 1864, was only \$81,961,000. It had been expected that numerous state banks would change their organization and take out national charters, and that a considerable number of new national banks would be organized. In the first seven months, to October 1, 1863, only sixty-six banks were organized, a considerable share of which were in the states of the middle west,

Ohio, Indiana, and Illinois. In the older states there was already a sufficient note circulation of banks already organized. The Act was, in form, repealed, and its provisions greatly modified by another measure passed June 3, 1864. This made divers changes, most of which were in the direction of giving greater stability. A more prompt payment of subscriptions by shareholders was required, and the amount of the initial payment was increased. The Act of 1863 made no provision for redemption of circulation except at the banking offices of the issuing banks; the supplemental or repealing Act compelled redemption at some bank in one of the principal cities. Coupon bonds were sufficient as security for circulation, under the Act of 1863, but registered bonds were required by the Act of 1864. The Act of February 25, 1863, provided a tax by the government on circulation only. Another Act, passed six days later, changed the basis of assessment, granting exemptions which were especially helpful to banks of smaller capital. This provided a substantially lower tax on circulation. The second Act also imposed taxation on the average amount of deposits in excess of average circulation. The Act of 1864 decreased the rate of taxation upon circulation, doubled that upon deposits, but again materially changed the basis of assessment and imposed a tax upon the average capital stock beyond the amount invested in United States bonds, at the same time authorizing the states to levy taxes upon bank shares and their real estate.

The opposition of the state banks, which had been very pronounced at the beginning, gradually diminished. The objections which were suggested at first to a change from state to national charters were found to be mostly groundless. These were summarized by Mr. McCulloch, then Comptroller of the Currency, as follows: (1) The apprehension that the national system might prove to be a repetition of the free bank system of the West, which had been a disreputable failure; (2) the opinion that, in becoming national banks, and issuing notes secured by government bonds, their interests would be so identified with the interests of the government, their credit so dependent upon, so interwoven with, the public credit, that they would be ruined if the integrity of the Union should not be preserved; (3) the danger of hostile legislation by Congress, or the annoyance to which they might be exposed by congressional interference with their business, for partisan purposes; (4) the requirement that in order to become national banks they must relinquish the names to which they had become attached, and be known by numerals. This requirement was modified so that the designation by numerals was unnecessary.

At the time when the National Banking Act was passed, nearly \$170,000,000 of notes of state banks were in circulation in the loyal states. The securities pledged for the notes and available for their payment were alleged to be of a value probably not more than one fourth the par value of

outstanding bills. So long as this large circulation was outstanding, inflation could not be prevented, nor could the public be protected from frequent losses by the failure of banking institutions to pay their notes. The growth of the national banks was slow so long as state banks retained the privilege of note-issue. The Revenue Act of March 3, 1865, imposed a tax of ten per cent. per annum on state bank notes, after July 1, 1866. Under this tax their circulation soon disappeared.

After recovery from the shock of the battles of the Wilderness and Cold Harbor, and from the environment of the National Capital by General Early, in July, 1864, the tide began to turn. General Sherman captured Atlanta and commenced his famous march to the sea. From this time an assurance that the result of the war would be successful was cherished by the people. The false hopes which had been entertained after earlier victories made the growth of confidence slow, but, in the autumn and early winter, the end seemed to be plainly in view. A main cause of the defeat of the South was the exhaustion of her material resources, which were not sufficient in quantity or quality for the maintenance of so gigantic a struggle. The blockade, which was maintained with increasing efficiency, destroyed hope of outside supplies, and, however effective her army might be as an army, it could not keep the field in the face of the disadvantages resulting from scarcity of food and the equipment for war. In the North,

Chase had said that the danger-line was approaching with the increase of the public debt. He doubted whether the contest could be continued after \$3,000,000,000 of obligations had been incurred. There was, however, an abundance available of all that the armies required, and a disposition which, although somewhat changeable in its manifestations, was determined to restore the Union at any cost. The surrender of Lee and the assassination of Lincoln followed closely, in April, 1865. The one indicated the fall of the rebellion, the other was the crowning tragedy of the great conflict.



## VII

### THE RECONSTRUCTION PERIOD

It was unfortunate that the bloody years of the Civil War should be followed by the stormy period of reconstruction. This period does not present a picture pleasant to contemplate. It was characterized by angry clashes between the executive and legislative departments, which rendered a dispassionate and just solution of the pending problems impossible. In this contest Senator Sherman probably found more that was distasteful than in any portion of his political career. He was by nature conservative, but was also a very strong party man, and above all things reluctant to break from those who had been his associates in the political and financial measures of the great struggle. It was impossible, after the bitter contest in which success had been achieved with so much difficulty, to take a moderate view of the situation. The returning soldiers in each of the two sections dominated public opinion. Neither could so soon forget.

Questions relating to reconstruction had already arisen during the administration of President Lincoln, and, but for his overshadowing influence, would have caused a serious split at that time. They

were sure to arise again as soon as the immediate problems of the war no longer occupied exclusive attention. In order to act harmoniously with Congress it was necessary that the Executive should be possessed of consummate tact. This quality Mr. Johnson altogether lacked. Few Presidents have left a more pronounced impression upon the course of political events than President Johnson. He will be remembered, however, not, as most of the rest, for the policies which were adopted as the result of presidential leadership, but because of the opposition and irritation awakened by his peculiar personality.

He was a most remarkable man. Of lowly ancestry and very limited educational opportunities, by force of pluck and ability he had become a Representative in Congress, twice Governor of Tennessee, and a Senator of the United States. From the very first he was conspicuous for his obstinate adherence to the opinions which he entertained. So early as the administration of President Polk, a public man was asked whether Andrew Johnson was the same as Cave Johnson, Postmaster General. The reply was, "Oh no! there is no cave in him." He was subject to decided limitations. His career in Tennessee had been a stormy one, in which joint discussions, bitter personal encounters, and close victories had been his lot. The applause of the populace was as the breath of his nostrils, and his chief delight was in political or personal controversy. A person who had risen from such surround-

ings could hardly be expected to occupy the presidential chair without undue elation, nor to be able to maintain tolerance toward his opponents. No one can deny his patriotism, nor his devotion to the Union, a devotion which had continued in the midst of the greatest obstacles and amid surroundings which made his situation almost intolerable in the dangers and conflicts which it aroused. He transmitted to Congress some of the ablest state papers which are to be found among the messages and papers of the Presidents. While in the preparation of many of these he no doubt called upon others, in and out of the cabinet, for aid, he was at least judicious in his selections.<sup>1</sup> On the other hand, his public utterances were characterized by a bitterness and an absolute lack of dignity altogether below the standard observed by any other person who had occupied the presidential office.

Mr. Johnson was repellent because of his unattractive personal traits and his colossal egotism. Barely three hours after President Lincoln had breathed his last, the oath was administered to him in the presence of a considerable number of distinguished men. Notwithstanding the appalling calamity, the thought of which filled all minds, he did not mention President Lincoln's name or achievements, but spoke at some length

<sup>1</sup> It appears that his first message, transmitted to Congress in December, 1865, was written by George Bancroft, the historian. The original is in the Library of Congress.

of his own past record, indicating the probable course which he would pursue, and giving assurance that he might be trusted in the presidential office. It was maintained by President Johnson and his supporters that his plan of reconstruction was identical with that of President Lincoln, and derived from it. If the people had been convinced of this, it would no doubt have brought to him a large popular support, but he always termed his plan "My Policy," and made no reference to President Lincoln as its author.

The hostility of those who had been ardent supporters of the Union would not have been so fiercely aroused had it not been that Johnson was so open to the accusation of glaring inconsistency, if not of insincerity. He had been the most vociferous of all in his denunciation of rebels, and had used the most drastic language in describing the punishment which should be visited upon them. These expressions were not merely employed in the heat of election campaigns, but were continued after he became vice-president, and even after he assumed the presidential office. The prevalent feeling was one of apprehension that he would be too severe. After his repeated denunciations he began most unexpectedly and without any warning to take measures which showed an absolute abandonment of his former position. Only twelve days before he became President he had said: "When you ask me what I would do" (i. e., to those engaged in the rebellion), "my reply is, I would arrest

them, I would try them, I would convict them, and I would hang them." His opinion then was that "treason must be made odious, and traitors must be punished and impoverished, their social power broken." Even so late as April 25, 1865, with presidential responsibilities upon him, he declared, in response to an inquiry about Jefferson Davis: "The time has come when traitors must be taught they are criminals. The country has clearly made up its mind on that point, and it can find no more earnest agent of its will than myself."

In strange contrast with these vehement sentiments are the utterances of President Johnson made only a few months later. In an address to delegates from nine Southern States, September 11, 1865, he makes no mention of "treason" or "traitors," and assures these representatives of the South that "there is no disposition on the part of the government to deal harshly with the Southern people." At a banquet in his honor, in New York, August 29, 1866, the same people of whom, sixteen months before, he had said that they "must be punished and impoverished, their social power broken," he would not now have "come back into this Union a degraded and debased people," but, rather, he wished them "to come back with all their manhood," and said that "then they would be fit, and not otherwise, to be a part of these United States."

It is impossible to tell just what influence caused

him to change his mind. Mr. Blaine, who reviews the subject with very considerable care, and from the standpoint of a contemporary, regards the influence of Mr. Seward as the determining factor. He states that when Seward arose from what was expected to be his death-bed, he advocated pacific measures toward the South, and President Johnson was convinced by his arguments, though his personal relations with him had not been of the most friendly nature. This view, while plausible, has not been generally accepted. It seems more probable that a sense of the gravity of the problem and of the unparalleled responsibility of his position caused him to reconsider the opinions which he had expressed upon the hustings.

The change in the policies which he advocated was undoubtedly very much more readily made by reason of his earlier views and affiliations. Though none had been more pronounced in his declarations of allegiance to the Union, he had little else in common with the party which elected him. He had been a Democrat of the strictest school; he had opposed tariff as robbery; he had resisted every movement for internal improvements; he had little sympathy with the movement for the abolition of slavery, except as a punishment to rebels in arms. It was but natural that when the conflict was over there should be a return to many of his own old ideas, and with each successive development of opposition to his course, his obstinacy and contentious disposition caused

him to become more and more radical in his departure from his former opinions.

Three general theories were propounded upon the subject of reconstruction. One may be called that of the indestructible states, under which it was maintained that no state could be out of the Union. Thus, if there had been rebellion within its borders, even though it was promoted and led by the Governor and all its officers, it was a rebellion against that state quite as much as against the federal Union; and as a result, when the federal authority should be restored the state returned to its position in the Union. A second and opposing theory was, that by rebellion the so-called states entirely lost their rights as such, and were in the same relation to the loyal portion of the country as territories, or even as newly acquired provinces. Under this view, it was not necessary, on their readmission to the Union, to follow state lines or pay any respect to the former organizations which had existed. A third was to the effect that by rebellion the states were disorganized, losing their former status, and that it remained for Congress, and for Congress alone, to determine their position, to prescribe temporary governments for them, and to reinstate them in the Union at such time as seemed best. As expressed in a congressional report, the Constitution does not act upon states, as such, but upon the people.

Upon a decision as to which was the correct opinion depended the vital question whether the



restoration of the states was for the executive or for the legislative branch of the government. President Johnson advocated the first, and Congress, after much delay and discussion, in which the second theory had strenuous and able advocates, substantially adopted the third. All opinions were still further complicated by the problem of what to do with the freedmen.

No extra session was called, and the work of organizing state governments in the South remained entirely with the Executive until the meeting of Congress in December, 1865. President Johnson, on the 29th of May, issued a proclamation of amnesty and pardon to those who had been engaged in the rebellion, referring to two proclamations of similar tenor by President Lincoln and requiring a prescribed oath to support the Constitution and the Union. There were numerous exclusions from its provisions for amnesty, in which were embraced civil, diplomatic, or military officers of the "pretended Confederate Government," above the rank of colonel in the army or lieutenant in the navy, as well as officers of any grade who had been educated at West Point or the Naval Academy; all those who had held the *pretended* office of governor of any state in insurrection; those who had left seats in Congress, or judicial stations under the United States, to aid in the rebellion; those who had resigned or tendered resignations in the army or navy to evade duty in resisting it; those who had engaged in any

way in treating persons found in the United States service otherwise than lawfully as prisoners of war; those who had been engaged in destroying commerce of the United States upon the high seas or the lakes and rivers between the United States and Canada, or in making raids from Canada into the United States; those who had been absent from the United States for the purpose of aiding the rebellion, or who had left their homes within its jurisdiction and passed beyond the federal military lines into the pretended Confederate States for the same purpose; those who at the time of seeking the benefits of the proclamation were prisoners of war, or were under civil or military arrest; those who had voluntarily participated in any way in the rebellion and who were the owners of taxable property to the value of more than twenty thousand dollars;<sup>1</sup> and, finally, those who had taken the oath of amnesty under President Lincoln's proclamation, or an oath of allegiance, and had not kept and maintained the same inviolate.

It will be noted that these exceptions, constituting fourteen classes, excluded from restoration to citizenship nearly all the men who had taken a prominent part in the rebellion; but there was a provision in the proclamation which allowed special application to be made to the President for pardon by any person belonging to the excepted classes. Thus the leading men of the South could

<sup>1</sup> This class was not excluded from amnesty by President Lincoln, in his proclamation.

be pardoned by an act of executive clemency, while the rank and file were amnestied in a body. The records of the State Department show that nearly fourteen thousand were pardoned by the Executive in nine months. The method of applying to take the oath, and of administering it, was prescribed by the Secretary of State and was very simple. Any commissioned officer, civil, military, or naval, of the United States, and any officer, civil or military, of a loyal state or territory, was declared competent to administer this oath, a copy of which should be given to the person taking it, and another copy sent to the State Department at Washington.

Another proclamation was issued on the same day, appointing a provisional governor for North Carolina. This governor was authorized and directed to have an election held for choosing delegates to a constitutional convention, to be held with a view to the reconstruction of the state and its restoration to its constitutional relations with the United States. All citizens were qualified to vote who could vote under the constitution and laws in force immediately before May 20, 1861, the date when North Carolina passed an ordinance of secession, and who had taken the oath prescribed in the proclamation of amnesty. This proclamation differed from those issued by Mr. Lincoln on the 8th of December, 1863, and March 26, 1864, in one important particular. Mr. Lincoln had specified ten per cent. of the old electorate as a

sufficient number to form a state government. Mr. Johnson laid down no rule as to the numerical proportion which the modified electorate should bear to the old, but he left to the convention of the State of North Carolina, which was to be assembled, or to the legislature which might follow, the power to prescribe the qualifications of electors and the eligibility of persons to hold office; adding, significantly, "a power the people of the several states composing the federal Union have rightfully exercised from the origin of the government to the present time."

After the proclamation pertaining to North Carolina, similar proclamations were issued by the President relating to Mississippi, Georgia, Texas, Alabama, South Carolina, and Florida, for each of which states provisional governors were appointed. The existing state government in Virginia was recognized. Mr. Johnson also recognized Louisiana, Arkansas, and Tennessee as re-constructed states under acts and proclamations of Mr. Lincoln. The other seven states, except Texas, took prompt action under Mr. Johnson's proclamations, and held conventions. In that state the war was considered to be still in existence, and the final conclusion of the contest there was not declared until August 20, 1866. Proclamations were also issued commanding the raising of the blockade and the restoration of commerce with the states which had been in rebellion. The state governments thus created, with the exception of

Mississippi, which rejected it, ratified the Thirteenth Amendment, abolishing slavery, though the ratification in Florida was not accomplished until December 28, 1865.

It does not seem that before the meeting of Congress any general opposition had been aroused against the plan proposed by President Johnson for the reconstruction of the Southern States. Popular attention was largely occupied with the results obtained by the war, such as the permanency of the Union, and the final and absolute liberation of the slaves.

With the meeting of Congress in December, 1865, Senators and Representatives from the Southern States in process of reconstruction presented themselves for admission. Admission was peremptorily denied, and a joint Committee on Reconstruction consisting of fifteen members, nine from the House and six from the Senate, was provided for at the very beginning of Congress. This committee was to inquire into the condition of the states, and to report, by bill or otherwise, whether they were entitled to representation. It was also provided that no member should be received until this committee should report. The House denied the privilege of the floor to the members who presented themselves.

A great deal of distrust had been created by the passage of so-called Vagrancy Acts in the Southern States, which were considered to be aimed at the freedmen, and, it was claimed, made possible the

continuance of slavery in a modified form. In one state the court was to apprentice minors whose parents did not have the means of support, and if said minor were the child of a freedman, the former owner of said minor should have the preference. In other states it was provided that every adult freedman should furnish himself or herself with a comfortable home and visible means of support within twenty days, and failing to do so was to be immediately arrested and hired out by public advertisement to the highest bidder for the remainder of the year. In one state the failure to pay a poll-tax of three dollars was to be followed by a similar procedure, thus virtually resulting in the sale of a human being for taxes. There could be no question as to the intent of these provisions. They pointed to a continuance of former conditions in an even more objectionable form. These facts caused those who had advocated the abolition of slavery to think that the South would not accept the Emancipation Proclamation and the Thirteenth Amendment in good faith.

The joint committee of fifteen appointed by Congress, of which Senator Fessenden was chairman, made a report in which especial attention was given to the bitterness of the antagonism which survived in the South. It said: "The Southern press, with few exceptions, abounds with weekly and daily abuse of the institutions and people of the loyal states; defends the men who led, and the principles which incited, the rebellion; de-

nounces and reviles Southern men who adhered to the Union; and strives constantly and unscrupulously, by every means in its power, to keep alive the fire and hate and discord between the sections."

It was shown that Confederate officers had appeared in the different conventions wearing the uniform which they had worn in the field. There can be no doubt that the President's course emboldened many who had resisted the national authority to maintain an irreconcilable attitude, not accepting the results of the war.

Mr. Sherman was on friendly terms with President Johnson. For two years they sat side by side in the Senate, and in the presidential contest of 1864 they were in company in the campaign in Indiana and other states. For a time it was hoped that he might bring about a reconciliation between President Johnson and the more radical Republican leaders in Congress. His first prominent utterance in regard to the policy of President Johnson was made in February, 1866. In this he called attention to the similarity of the reconstruction policy of President Johnson to that of President Lincoln. He mentioned that all the members of Lincoln's Cabinet had acquiesced in the measures which Johnson had adopted. In answer to the argument that the Southern States had not provided for suffrage for the freedmen, he said that, as regards the Northern States, in some the right of suffrage had not been given at all, while in others it had only been given occasionally. When



Senator Guthrie said that he had great confidence in the President, Senator Sherman added, "So have I." There was evidently at this time no irreparable breach with the President, and leading Republicans had not abandoned hope that he might still act in harmony with the Republican majority in Congress. On the 22d of February, 1866, however, the President made one of his turbulent harangues, in which he said: "I have opposed the Davises, the Toombses, the Slidells, and a long list of others. Now when I turn around, and at the other end of the line find men, I care not by what names you call them, who still stand opposed to the restoration to the Union of these states, I am free to say that I am still in the field." When called upon to name who they were, he said: "You ask me who they are. I say Thaddeus Stevens of Pennsylvania is one; I say Mr. Sumner of the Senate is another; and Wendell Phillips is another." These remarks operated as a firebrand. The President not only embittered the radical leaders mentioned, and their friends and supporters, but caused the more conservative elements to distrust him.

From this time on, a policy of moderation towards the South was considered out of the question. The most radical measures received the most enthusiastic support. The presidential veto, which in ordinary times would have been received with respect, and its arguments weighed, was absolutely ignored. It was a source of gratification to pass a bill against the President's objections. Some of

his messages, refusing assent to measures passed by Congress, were able documents, couched in temperate language, and clearly setting forth constitutional objections, and probable ill results which would follow from the legislation proposed; but the feeling against him was so strong that he no longer commanded respect.

The first session of the Thirty-ninth Congress did not result in the final enactment of any important legislation relating to reconstruction, though divers declaratory resolutions were passed, outlining clearly the policy which Congress favored. Also, the Fourteenth Amendment was submitted, June 16, 1866. The Committee on Reconstruction made majority and minority reports.

The opinion of the majority with reference to the status of the seceding states was expressed in the following language:

"It is more than idle, it is a mockery, to contend that a people who have thrown off their allegiance, destroyed the local government which bound their states to the Union as members thereof, defied its authority, refused to execute its laws, and abrogated every provision which gave them political rights within the Union, still retain, through all, the perfect and entire right to resume, at their own will and pleasure, all the privileges within the Union, and especially to participate in its government, and to control the conduct of its affairs. To admit such a principle for one moment would be to declare that treason is always master and loyalty a blunder. Such a principle is void by its very nature and essence, because inconsistent with the theory of government, and fatal to its very existence."

Mr. Sherman gradually aligned himself — though not with the more radical element in his party — with those who strenuously opposed the President. On the 17th of March, 1866, he had expressed the hope that President Johnson would approve the Civil Rights Bill, the aim of which was to protect the colored population of the Southern States in their civil rights. This statute in the first section declared all persons born in the United States, and not subject to any foreign power (excluding Indians not taxed), to be citizens of the United States; and gave to all the same right to make and enforce contracts, and the same rights in regard to property; also to all persons the full and equal benefit of all laws and proceedings for the security of person and property. The statutes passed by some of the Southern States in the preceding year had created palpable discrimination in the rights of the two races. Crimes of violence against persons were declared to be offenses when committed against whites, but no provision for punishment was made when the same offense was committed against blacks. President Johnson, however, objected because the first section, designating who should be regarded as citizens, comprehended Chinese as well as those of African blood. In an enumeration of rights in the same section he thought he saw a prohibition of state statutes against intermarriage between the two races. He gave at great length, though with less of ability than in most of his veto messages, his

objections to the law. Mr. Sherman joined with others in passing it over his veto.

When the course of the President in the dispensation of patronage was criticised, and legislation was proposed to curtail his powers, Sherman took radical ground against him. In some remarks on the Tenure of Office Bill, on the 10th of January, 1867, he desired an amendment in the form of a penalty clause, and mentioned several cases in which the President had utterly disregarded the law in keeping rejected appointees in office. A little later he criticised the President's method of making selections, and said that he had no unkind feelings toward him, but that the latter had no right to turn men out of office because of political divisions arising during the course of his administration. On the 18th of February, 1867, he said that the whole revenue service had been upturned to reward partisans and betray a party.

At other times, however, Sherman's native conservatism asserted itself. On the 19th of February, 1867, he said he was willing to enfranchise the negroes, but would not disfranchise the whites. Replying to Senator Sumner he said:

"If we exclude from voting the rebels of the South, who compose nearly all the former voting population, what becomes of the republican doctrine that all governments must be founded on the consent of the governed? I invoke constitutional liberty against such a proposition. Beware, sir, lest in guarding against rebels you destroy the foundation of republican institutions. I like rebels no better

than the Senator from Massachusetts; but, sir, I will not supersede one form of oligarchy in which the blacks were slaves, by another in which the whites are disfranchised outcasts. Let us introduce no such horrid deformity into the American Union. Our path has been toward enfranchisement and liberty. Let us not turn backward in our course, but after providing all necessary safeguards for white and black, let us reconstruct society in the rebel states upon the broad basis of universal suffrage."

On March 11, 1867, he said that the proposition then was to reconstruct that civil government which had been overthrown by rebellion on the basis of universal suffrage, and added: "A year ago I was not in favor of extending enforced negro suffrage upon the Southern States." In May of the following year, in speaking of the Fourteenth Amendment, he said: "I have always thought that was the best, safest, and surest basis of reconstruction, and had it not been for the evil genius of Andrew Johnson, I think this question would have been settled long ago on the basis of the Fourteenth Amendment to the Constitution."

In the session beginning December 3, 1866, Congress took up the whole subject of reconstruction and passed a variety of measures. The first was one repealing the authority granted to the President to pardon those who had participated in the rebellion. Another, relating to the territories, was significant in regard to negro suffrage. It provided that there should be no denial of the elective franchise there, on account of race, color, or previous condition of servitude. A proposition was made for

the impeachment of the President, which was not finally acted upon.

At the close of the session, March 2, 1867, the Act which embodied the congressional theory of reconstruction was passed over the veto of the President. By its terms, the ten states which had been in rebellion, and had not regained their position in the Union,<sup>1</sup> were divided into five military districts, in which the military power was to be supreme, although no sentence affecting the life or liberty of any person was to be executed unless approved by the officer in command of the district, and no sentence of death without the approval of the President. Provision was made for the formation of a constitution in each of the ten states, by a convention of delegates, to be elected by the male citizens of each state, twenty-one years of age and upward, of whatever race, color, or previous condition. The admission of each state under such constitution as might be adopted was conditioned upon the insertion of a provision therein that the elective franchise should be enjoyed by all persons who were qualified to vote for delegates. This was intended to include the negro. Another condition was that each state should agree to the amendment to the Constitution proposed by the Thirty-ninth Congress, known as Article or Amendment 14. A final section declared all governments to be provisional until the readmission of the respective states under the provisions of the Act.

<sup>1</sup> Tennessee was recognized as fully restored to the Union.

This Act, in substantially the form in which it became a law, was prepared by Mr. Sherman and introduced by him as an amendment to a House Bill, framed by Mr. Thaddeus Stevens. It was milder in several particulars than the Stevens Bill. The President, instead of General Grant, General of the Army, was to appoint the commanders of the five military districts, and had to approve any military sentence imposing the death penalty. In explaining it, Mr. Sherman said that it was founded upon the proclamation of the President made after the assassination of President Lincoln, in which he declared that the rebellion had overthrown all civil governments in the insurrectionary states, and had sought by executive mandate to create governments therein. In analyzing the bill he contended that existing laws authorized most of the regulations provided in the act. Military districts could already be formed, and it was the duty of the President to assign military officers to such districts. The third section authorized a military tribunal in a state which had been in insurrection. He maintained that this was in accordance with authority which the Supreme Court had recently recognized. The fourth section required all sentences of military tribunals to be sent for review to the commanding officer. A proviso was added to the substitute as prepared by Sherman, to the effect that a sentence of death should not be enforced until it was submitted to, and approved by, the President. This proviso he regarded as unnecessary. The fifth sec-



tion demanded, he said, that the Southern States extend to all their male citizens, without distinction of race or color, the elective franchise, and provided a way in which they might reorganize loyal state governments.

In this instance, as in others during the ensuing quarter of a century, Mr. Sherman showed his singular ability in framing a measure upon which discordant elements of his party could agree. Not all of the laws which bear his name met with his own hearty approval. He supported the Resumption Act of 1875 as the best obtainable. The Silver Purchase Act of 1890 was presented by him very reluctantly. A supplemental Act was passed providing the machinery for the registration of voters, and for the manner of holding elections, as well as the procedure in the framing and adoption of the proposed constitutions. This Act provided for military control of elections. It did not become a law until the special session of the Fortieth Congress, begun in March, 1867. The Reconstruction Acts were executed in the five military districts. There was as much leniency as was consistent with the letter of the law, but opposition was awakened at every turn. If there had been reactionary and unjust measures by the conventions held under the proclamations of President Johnson, those held under the Reconstruction Acts were also criticised for incompetency and extravagances of the gravest nature. The supplemental Act had provided that a convention should be held only when a majority

of the registered electors voted on the question, and the majority of those voting voted in the affirmative. In five of the ten states in which reconstruction was attempted the colored voters had a majority. So strong was the feeling in Congress that when the legislation already adopted failed to meet the case, supplemental acts were passed. It was intended to secure the supremacy of the Republican party in the states which had been in insurrection, and then their admission at the earliest practicable date.

A Tenure of Office Act had been passed March 2, 1867, the object of which was to prevent the President from using the power of his office to sustain himself or the policies recommended by him. An alleged violation of this Act by the President in the removal of Secretary of War Stanton, and the designation of General Lorenzo Thomas in his place, led to articles of impeachment in the early part of the year 1868. It was on the ground of the designation of General Thomas especially that Mr. Sherman voted for impeachment. He filed a memorandum at the time of the trial, setting forth his views quite completely, in which he argues at considerable length that the Act referred to prohibited temporary appointments, and that the President had violated the law. In this memorandum he makes the following reference to the general attitude of the President:

"The great offense of the President consists in his opposition, and thus far successful opposition, to the constitutional amendment proposed by the Thirty-ninth Congress, which, approved by nearly all the loyal states,

would, if adopted, have restored the rebel states, and thus have strengthened and restored the Union convulsed by civil war. Using the scaffoldings of civil governments formed by him in those states without authority of law, he has defeated this amendment; has prolonged civil strife; postponed reconstruction and reünion; and aroused again the spirit of rebellion overcome and subdued by war. He alone, of all the citizens of the United States, by the wise provisions of the Constitution, is not to have a voice in adopting amendments to the Constitution; and yet he, by the exercise of a baleful influence and unauthorized power, has defeated an amendment demanded by the result of the war. He has obstructed, as far as he could, all the efforts of Congress to restore law and civil government to the rebel states. He has abandoned the party which trusted him with power, and the principles so often avowed by him which induced their trust."

A trial was had, but on May 16, 1868, the requisite two thirds was lacking by the close vote of thirty-five to nineteen. The Fourteenth Amendment was, however, ratified by a sufficient number of states, and the proclamation, or final certificate, of its adoption was issued by Mr. Seward, Secretary of State, on the 20th of July, 1868. A concurrent resolution was passed by Congress on the following day, declaring it to be a part of the Constitution of the United States. It is difficult to summarize in small compass the provisions of this important amendment. The primary object sought was to protect the freedman in the enjoyment of his rights, thus making permanent one of the principal results of the war. The Thirteenth Amend-

ment abolished slavery. The Fifteenth enfranchised the negro. The Fourteenth was, in a degree, an intermediate step between the two, though affecting other vital questions besides the status of the colored race.

The Fifteenth Amendment was a measure decided upon, not so much because of a desire for the political equality of the colored race, although that was a potent factor in influencing the opinions of many, as to insure their protection and with a view to preventing the supremacy of the element which had been in rebellion, and securing, and making permanent, Republican control in the states of the South. The final vote upon its submission was had in the Senate on the 26th of February, 1869, on which day the conference report between the two Houses, which had been concurred in by the House on the preceding day, was adopted. The proclamation of President Grant, with the certificate of Mr. Fish, Secretary of State, declaring its adoption, was made on the 30th of March, 1870.

At the date of the presidential election, in November, 1868, seven Southern States out of ten had so far complied with the reconstruction measures that Acts had been passed for their restoration to the Union, though the vote of Georgia for the presidency was virtually rejected, and representation in Congress was denied her, first in the Senate and then in the House.

By March 30, 1870, Acts were passed admitting the other three states to representation in Con-

gress, Virginia, Mississippi, and Texas. In each of these Acts it was recited in the preamble that the legislature had ratified the Fourteenth and Fifteenth Amendments. Two forms of oath were prescribed to be taken by the members of the legislature or state officers. The first was for those outside of the classes excepted in the several presidential proclamations. The second was based upon the claim that an Act of Congress had removed the disabilities of the others. In this manner especial care was taken to ignore a general proclamation of amnesty, issued by President Johnson, on Christmas Day of 1868.

On May 31, 1870, an Act was passed for the enforcement of the Fourteenth and Fifteenth Amendments. It provided not only penalties against state officers for the violation of these amendments, but, severe penalties against any one within the states who should undertake by unlawful means to deprive any other person of his right to qualify to vote at any election. This was called the Enforcement Act.

On the 20th of April, 1871, the Ku-Klux Act was passed, which sought to legislate for the preservation of civil and political rights within the states, and for punishment of the infraction of the same by individuals. At divers times after the establishment of the state government to succeed military control, soldiers were sent into the reconstructed states at the request of the governors or other officials.

The civil régime which followed military rule in six of the states, in 1868, and in the remaining four in 1870, was much more demoralizing than the military rule which had preceded, although in form it was more in accordance with the principles of republican government. The rankest corruption was rife in the reconstructed governments. Georgia promptly broke away from the so-called "carpet-bag" rule at the election in December, 1870. In the years from 1874 to 1876 others of the reconstructed states succeeded in overthrowing the existing régime, and by 1877 the Solid South was under white Democratic government.

Thirty years after the close of the Civil War, when asperities were softened, and he had reflected upon the events of the reconstruction era, Mr. Sherman said in his "Recollections":

"It became imperative, during the long period before the meeting of Congress, that President Johnson should, in the absence of legislation, formulate some plan for the reconstruction of these states. He did adopt substantially the plan proposed and acted upon by Mr. Lincoln. After this long lapse of time I am convinced that Mr. Johnson's scheme of reorganization was wise and judicious. It was unfortunate that it had not the sanction of Congress, and that events soon brought the President and Congress into hostility. . . . In the absence of law both Lincoln and Johnson did substantially right when they adopted a plan of their own, and endeavored to carry it into execution. . . . I believe that all the acts and proclamations of President Johnson before the meeting of Congress were wise and expedient, and that there

would have been no difficulty between Congress and the President but for his personal conduct, and especially his treatment of Congress and leading Congressmen."

As explaining the time when he began to act with the radical members of his party, he says, in speaking of the vote on the Civil Rights Bill: "From this time forth I heartily joined with my political associates in the measures adopted to secure a loyal reorganization of the Southern States. I was largely influenced by the harsh treatment of the freedmen in the South, under acts adopted by the reconstructed legislatures. The outrages of the Ku-Klux Klans seemed to me to be so atrocious and wicked that the men who committed them were not only unworthy to govern, but unfit to live."

In some remarks in the Senate, upon the Blair Bill for government aid to education, on the 13th of March, 1890, he expressed himself even more definitely, especially upon the enfranchisement of the colored race and the disposition of citizens of the Northern States toward the South at the close of the war.

These remarks were elicited by attacks upon the Republican party and the accusation of Northern unfriendliness to the South. He said:

"When the Civil War closed there was a feeling universal in the Northern States that the best way to solve the difficulty was to restore to the people of the Southern States their state governments with all the original powers attached thereto, with only such limitations and qualifica-



tions as would enable the people of the United States to secure the results of the war. . . . There was at that time no feeling of hostility against the people of the South. . . . At that time it was not contemplated to arm the negro with suffrage. . . . You may go back to the records and you will see . . . that the laws passed by the various Southern States, when they first assumed to act, after the close of hostilities, were so cruel, so wrong in our view of the rights of the colored people of the South, so unjust in our view of the rights of the white Republicans of the South, . . . that those laws burned like coals of fire in the Northern heart. . . . The belief grew stronger and stronger that the people who had waged war to break up the Union intended to overthrow the results of the war, and to deprive those who were made free by the policy of that war of all the rights of citizenship. That was the feeling. It was a feeling in which I participated. . . . It was not until the people of the North felt that there was no way whatever left to protect the acknowledged rights of the colored men of the South except to arm them with suffrage, that we approached the question, and we did so with great difficulty and with much delay. . . . But, Sir, when the time came that we saw there was no other protection for the people of the Southern States, and especially for those who had been emancipated, . . . we reluctantly, slowly, deliberately adopted that remedy, and the only remedy fit for the case. There was no feeling of passion about it. There was no feeling of hatred about it. . . . It was adopted in the form of a constitutional amendment, and voted for by such men as I have named, — Fessenden and Trumbull, and Doolittle and Mr. Cox. . . . It was adopted by them as the last resort. . . . Mr. President, this is all that I need to say. If there is anything wrong in the situation of the Southern affairs, in every case they have brought it upon themselves. When the Senator from Mississippi yesterday spoke of the feeling of hate that exists in the Northern States he described

what is only to be seen in his own imagination. . . . If there are any ills in the South they have been brought upon them by themselves. . . . If they complain of the Fifteenth Amendment . . . they compelled us to pass it, in the judgment of the most conservative men of the Northern States, not of the extreme men; not of Mr. Sumner, or a few others who might be picked out, but the conservative classes of the Northern States including as I believe a great mass of the Democrats of the North who felt that there was no other way. . . . It is true it has not turned out as we expected, because no man then dreamed that such measures would be resorted to as have been resorted to, in order to deprive the negro of his rights. No man then dreamed of Ku-Klux Klans and of the savage machinery by which this exclusion has been perfected."

When asked by Senator Butler of South Carolina whether in his judgment as a statesman and as a citizen, he did not think that the conduct of Andrew Johnson, when he was President of the United States, had as much to do with the condition of things in the South as the conduct of the Southern people themselves, he said:

"I say that Andrew Johnson is more responsible for the evils that have been brought upon this country by the treatment of the negroes than anybody else. He was elected by the Republicans as a part of the generous treatment they have always extended to the people of the South. They took Johnson, in 1864, and put him on the ticket. They took him as a Southern Democrat, and when he came into power he deserted the Republican party; he turned his back upon that party, and joined the Democrats of the South in this system of measures that I have complained of, and our fight was against Johnson as well as against the extreme men of the South."

## VIII

### FINANCIAL CONDITIONS AFTER THE CIVIL WAR — THE CURRENCY — PUBLIC DEBT

THE distinctive features of the financial and commercial situation at the close of the war were the inflation of prices and the existence of an era of speculation in which money was plentiful and profits were large. Industry and enterprise had received a great stimulus from the herculean efforts made to subdue the rebellion, and there had followed an unprecedented degree of energy in the development of the country. There was every indication that this development would continue, and become a permanent feature.

Numerous plans were advocated for the resumption of specie payments. On the 17th of May, 1866, Chief Justice Chase had written to Horace Greeley: "The way to resumption is to resume." This catchy phrase was taken up by Mr. Greeley and others, who advocated an immediate return to specie payments without any change in the volume of outstanding notes or accumulation of a gold reserve; indeed, without any legislative action, relying entirely upon the action of the Executive Department of the government with the ordinary means at hand.

Some believed in the absolute retirement of the greenbacks. They advised destroying them whenever received at the Treasury, and, if they did not come in with sufficient rapidity, exchanging bonds for them.

Secretary McCulloch, who had been placed at the head of the Treasury Department on the second inauguration of Lincoln, believed in their gradual withdrawal, regarding them as an emergency circulation. It had been the general impression that the greenbacks would be retired soon after the close of hostilities, but in what way, or exactly how soon, had been considered only vaguely. Others favored the accumulation of a gold reserve, which at that time, with the balance of trade against us, and the gold supply almost exhausted, was a task of no little difficulty, although it is to be observed that this was an essential feature of the plan finally adopted.

Another class, among whom may be included Senator Sherman, did not favor immediate interference with the greenbacks. They thought a policy of "let alone" to be best; that the problem of resumption was primarily a commercial one and need not depend upon legislation, at least not until later. They believed that with the growth of the country and the increasing demands for currency, outstanding issues of greenbacks would be required as part of the necessary volume of money. In the South there was no money in circulation. This void must be filled. The fall in the gold premium from the

maximum of July, 1864, until the successful termination of the contest had been so rapid that it seemed reasonable to expect the premium would entirely disappear.

The insistent arguments against contraction did not begin to be advanced until a considerable time after the close of the war. It is evident that if early resumption was to be accomplished, this was the occasion. The prices of gold had been subjected to extreme fluctuations; the business community had become accustomed to the conduct of enterprises when the gold market showed violent changes in values from day to day. Then, too, with an abundance of circulating medium, and with an unusual share of the production of the country required for supplies for the prosecution of the war, payments had been prompt and a smaller share of business than usual had been conducted upon credit, so that no great mass of debts had been contracted by individuals, though the obligations of the government were very large.

Secretary McCulloch took strong ground in favor of the retirement of the legal tenders. In an address at his home in Fort Wayne, in the month of October, 1865, he said: "If Congress shall early in the approaching session authorize the funding of the legal tenders, and the work of reduction is commenced and carried on resolutely, but carefully and prudently, we shall reach it" (i. e. the solid ground of specie payments), "probably without serious embarrassment to legitimate business; if not, we shall have

a brief period of hollow and seductive prosperity resulting in widespread bankruptcy and disaster."

Mr. Sherman's plan of resumption was altogether a different one. The object to which he attached the greatest importance was the funding of the immense national debt at lower rates of interest. To accomplish this he regarded it as essential that an abundant supply of legal tenders should be continued in circulation, and be made by law readily exchangeable for bonds drawing a low rate of interest, of which, in order to make them more acceptable, principal and interest should be made payable in gold. With such a currency he was sure the bonds and short-time obligations would be rapidly converted. At the same time he was reaching a conclusion to which he later adhered, that it was best to retain the greenbacks as a leading part of the permanent monetary supply.

He came to believe that the people of the United States should have the benefit of these notes as a loan without interest. Another argument with him was the desirability of having some form of paper currency legal tender, a quality which could not be given to national bank notes. He was no doubt very much influenced by the business prosperity which existed after the issuance of the greenbacks. In his letters during the war, beginning in 1862, he had frequently shown his gratification at the surprising degree of commercial activity.

In commenting upon Mr. McCulloch's opinions he says:

“At this time there was a wide difference of opinion between Secretary McCulloch and myself as to the financial policy of the government in respect to the public debt and the currency. He was in favor of a rapid contraction of the currency by funding it into interest-bearing bonds. I was in favor of maintaining in circulation the then existing volume of currency as an aid to the funding of all forms of interest-bearing securities into bonds redeemable within a brief period, at the pleasure of the United States, and bearing as low a rate of interest as possible. Both of us were in favor of specie payments, he by contraction, and I by the gradual advancement of the credit and value of our currency to the specie standard. With him specie payment was the primary object. With me it was a secondary object, to follow the advancing credit of the government. Each of us was in favor of the payment of the interest of bonds in coin. . . . A large proportion of national securities were payable in lawful money or United States notes. He, by contraction, would have made this payment more difficult, while I, by retaining the notes in existence, would induce the holders of currency certificates to convert them into coin obligations bearing a lower rate of interest.”

The rapidly maturing claims against the government were taken up for the most part by the issue of “seven-thirty” bonds, \$830,000,000 of which were outstanding October 1, 1865, a volume exceeding that of any prior bond issue. The public debt statement on June 30, 1865, showed the usual variety of outstanding securities; the demand Treasury notes and temporary loans were, however, rapidly diminishing in amount. After the public debt reached its maximum, on the 31st of August, 1865, radical changes occurred. Bonds



were issued, not to meet expenses, but to fund outstanding obligations. Expenses no longer exceeded receipts, but receipts were greatly in excess of expenditures. The problem of the time was how to meet these changed conditions, to provide a proper currency, and to adopt a policy with reference to the public debt which should, at the same time, secure the best results to the government and relieve the people of burdens of taxation unduly severe.

Secretary McCulloch's report, in December, 1865, in line with remarks already quoted, strongly favored the withdrawal of the greenbacks, maintaining that the existing Legal-Tender Acts were war measures. He took up the different objections to reduction of the currency — that it would operate injuriously by reducing prices; that it would reduce the public revenue; and that it would endanger the public credit by preventing funding.

He said:

"The people are now comparatively free from debt. . . . So far as individual indebtedness is regarded, it may be remarked that the people of the United States, if not as free from debt as they were six months ago, are much less in debt than they have been in previous years, and altogether less than they will be when the inevitable day of payment comes around, if the volume of paper money is not curtailed. . . . Business is not in a healthy condition; it is speculative, feverish, uncertain. Every day that contraction is deferred increases the difficulty of preventing a financial collapse. Prices and credits will not remain as they are. The tide will either recede or advance, and it will not recede without the exercise of the controlling power of Congress."

He recommended that the compound-interest notes should cease to be a legal tender from the day of their maturity, and that he be authorized to sell bonds bearing interest at a rate not exceeding six per cent., for the purpose of retiring these as well as United States notes. He estimated that it would not be necessary to retire more than a hundred millions, or, at most, two hundred millions, of the legal-tender notes, besides the compound-interest notes, before the desired result, parity of notes with specie, would be obtained. He also recommended that two hundred million dollars be applied annually towards the principal and interest of the public debt.

The recommendations of Secretary McCulloch were received with great favor in the House, where a resolution concurring in his views passed, almost unanimously, December 18, 1865. A bill was introduced authorizing him to sell any of the bonds authorized by the Act of March 3, 1865, for the purpose of retiring Treasury notes, as well as other obligations of the government. This was, however, materially amended so as to provide that ten millions might be retired within six months, and thereafter not more than four millions in any one month.

Mr. Sherman's objections to this measure were those already mentioned, and, besides, that it gave to an executive officer a power which should be exercised by Congress, viz.: to determine the extent to which the volume of currency should be

reduced; also, that it enabled him to retire United States notes at a rapid rate, and increased the bonded indebtedness of the country; further, that, by converting into coin liabilities the compound-interest notes and Treasury notes bearing seven and three tenths per cent. interest, and expressly payable in currency, it would greatly add to the burden of the debt. The amount of these liabilities was then one billion.

This Bill, however, became a law on the 12th day of April, 1866, as an amendment to the Act of March 3, 1865.

On the 30th of June, 1865, the quantity of paper currency in circulation was greater than at any date during the war, and more than three times as great as in 1860. Under the tax which had been imposed upon state bank notes to take effect July 1, 1866, they were rapidly disappearing. The vacuum caused by their withdrawal, however, was destined to be more than filled by the issuance of national bank notes. Before as well as after the passage of the Act of April 12, 1866, there was a decrease in outstanding greenbacks, so that by July 1, 1867, the quantity had been reduced to \$319,000,000. Notwithstanding this reduction in the circulation of the greenbacks and a reduction in ensuing years until 1868, the premium on gold in May, 1865, showed a lower average for that month than the average for any one of the four years succeeding June 30, 1865.

It is evident that the triumphant ending of

the war exerted an influence in diminishing the premium on gold which could hardly be permanent. In the month of May, 1865, the average value of a greenback dollar was 73.7. So late as the month of September, 1869, it was less valuable. Whether this premium would have disappeared, if contraction had been continued, it is impossible to state, but it is difficult to overrate the derangement of business conditions caused by a departure from gold and silver as the standards of value. During these four years also the balance of trade was against us, especially in 1869, and the exports of gold exceeded the whole product of our own mines. It was even true that in the years 1866 and 1868 the net exports of gold, as determined by the difference between exports and imports, exceeded the domestic product. Unfavorable crops, and expenses in excess of estimates, in 1867, also exerted an unfavorable influence.

The Secretary renewed his recommendations for contraction of the currency, in December, 1866, and again later, but in the mean time popular sentiment was crystallizing in opposition to further reduction.

A study of conditions during the Civil War, and after its close, goes far to explain why the sentiment against contraction was so strong. Discussions relating to currency and legal tender were of course influenced by the financial conditions of the time. Prices were high in 1865; great investments were made in numerous enterprises at

the existing high prices; agricultural areas of the West were rapidly developed, and the production of cereals vastly increased. With the returning soldiers of the disbanding armies, and increased immigration from abroad, new fields were settled. The change of so great a multitude of soldiers from consumers to producers, changed the relation between demand and supply in many classes of products. Railways were built, so that in eight years, from 1865 to 1873, the total mileage in the country was doubled. Just as military operations had been conducted on a tremendous scale, and with a boldness never before thought of in this country, so, now, industrial and commercial undertakings were promoted with the same boldness and energy. The crucial fact was that many of these enterprises were undertaken on long-time credits, a thing almost unknown during the war. As a result the great body of those who were interested in the new era of development were greatly disturbed by any fall in prices, and traced its cause to a diminished premium on gold and the consequent increased value of the circulating medium in which debts must be paid.

Another set of facts made its impression. Not only was there a tendency towards lower values in the prevalent currency, with every decrease of the premium on gold, but after 1866 the general trend of prices, as expressed in gold, was decidedly downward; and this was true not alone in the United States but throughout the world. That

year marked the end of a brief cycle of rising prices, which was succeeded by a period of falling prices reaching a minimum in 1869. The unfavorable effect of this decrease in prices was nowhere more keenly felt than among the farmers of the United States. Not only was the relation of demand and supply very much influenced by increased areas of cultivation here, but competing fields were appearing in other parts of the world. The valley of the Danube was developed, and navigation was made possible at its mouth; Roumania and India increased their export of wheat for the European market; and, in the new world, Canada began to send grains to Europe on a large scale.

Considerations of political expediency began to exert a potent influence. After the war and the flurry occasioned by reconstruction had passed, the strongest factor in the success or failure of a political party on election day was the business condition of the country, or the apparent condition. The moral and sentimental issues which on the questions of slavery and Union swayed the popular heart were lacking. A more commercial era gave greater weight to commercial considerations. When prices were favorable and business active the party in control could expect a further lease of power, but if a crisis should occur and business depression rest upon the land, the party out of power found, in these facts, its strongest and most successful claim for obtaining control.

In the later years of the war business was pros-

perous. After its close there was no longer the feverish activity which had prevailed while millions were expended every week for military supplies, and when every one seemed to be enjoying unheard-of prosperity. But it was desired that the opportunities for profit should continue, and any step which placed a check upon the existing order was opposed.

In every case of great development of wealth, when large fortunes are made, there is at the same time an army of speculators made up of men who seek fortunes from a rise in prices. In times of activity they succeed. Among them are many of the most acute minds, men who realize that legislation is a powerful auxiliary in helping them on. They exert an influence out of proportion to their numbers. Such men opposed contraction because it meant lower prices. Again there was a multitude of producers accustomed to high prices who joined in opposing the withdrawal of the greenbacks. Also, the people generally had come to like this form of currency. They were so superior to the bills issued by state banks before the war that they were reluctant to part with them.

An Act was introduced, late in 1867, suspending the authority to retire greenbacks. It passed the House by the decisive vote of 127 yeas to 32 nays. It was strongly supported by Mr. Sherman in the Senate. The reasons which he gave in its favor were:

“First, it will satisfy the public mind that no further contraction will be made when industry is in a measure



paralyzed. We hear the complaint from all parts of the country, from all branches of industry, from every state in the Union that industry for some reason is paralyzed and that trade and enterprise are not so well rewarded as they were. . . . One hundred and forty million dollars have been withdrawn out of seven hundred and thirty-seven million dollars in less than two years. There is no example, that I know of, of such rapid contraction. . . . Second, this Bill will restore to the legislature their power over the currency, a power too important to be delegated to any single officer of the government. . . . Third, this will strongly impress upon Congress the imperative duty of acting wisely upon financial measures, for the responsibility will then rest entirely upon Congress, and will not be shared with them by the Secretary of the Treasury. Fourth, it will encourage business men to continue old and embark in new enterprises, when they are assured that no change will be made in the measure of value without the open and deliberate consent of their representatives."

In his computation of the amount of contraction he evidently included interest-bearing Treasury notes, which, to an extent, circulated as money or were used as a reserve by banks. Senator Sumner, in advocating the Bill, placed the contraction at \$160,000,000. Mr. Sherman said that the question was only preliminary to others of far greater importance which involved, "first, the existence of the banking system of the United States; second, the time and manner of resuming specie payments; third, the mode of redeeming the debt of the United States, and the kind of money in which it may be redeemed; and, in this connection, the taxes, if any,

that may be levied upon the public creditors; fourth, such a reduction of our expenditures and taxes as will relieve our constituents, as far as practicable, from the burdens resulting from the recent war." After a lengthy debate the Bill passed the Senate by a vote of 33 to 4, becoming a law February 4, 1868.

Next came the famous "Act to Strengthen the Public Credit," passed March 18, 1869, which in unequivocal language pledged the faith of the United States to the payment in coin, or its equivalent, of all obligations of the United States, except where otherwise expressly provided. This was a declaration of triumph over the result of the elections of 1868, in which the two parties had taken diametrically opposite grounds — the Democratic party favoring the payment of bonds in paper money, and the Republican party insisting upon ultimate payment in gold. There was no further legislation relating to currency until the Act of July 12, 1870, which authorized an addition of \$54,000,000 of national bank notes to the \$300,000,000 already authorized.

Legislation was attempted by the passage of a bill, in April, 1874, for the permanent increase of the greenback currency to \$400,000,000. An important question had arisen relating to the authority of the Secretary of the Treasury to reissue notes which had been redeemed and lodged in the Treasury. At the date of the passage of the Act of 1868, forbidding further reduction, the amount outstanding was

\$356,000,000; but there was an additional \$44,000,000 redeemed and in the Treasury, which made the total \$400,000,000, the limit placed by the Act of 1864. It is to be noted that while the nominal limit in the Act of 1864 was \$450,000,000, the actual limit was \$400,000,000, \$50,000,000 being issued for redemption of currency deposits. In times of stress Secretaries of the Treasury issued a part of this \$44,000,000 to relieve the situation. This was done twice while Secretary Boutwell was in charge of the Treasury. Secretary Richardson, after the crisis of 1873, made further issues from the legal tenders, so that the total amount of reissues aggregated \$26,000,000. This Bill of April, 1874, would have ratified Secretary Richardson's action, and authorized a still further issue of \$18,000,000. President Grant vetoed it. In the following June, however, an Act was passed relating to the amount of national bank notes, in which a section was inserted, as a compromise, providing that the amount of United States notes should not exceed the sum of \$382,000,000, which was to be counted as a part of the public debt, and no part should be held or used as a reserve. This section, by necessary implication, fixed the amount at \$382,000,000, the amount then outstanding, which included the \$26,000,000 issued by Secretary Richardson. In the following January, 1875, the Act was passed for the resumption of specie payments. This repealed all limitations upon the aggregate amount of national bank notes to be issued, and provided that whenever circulating

notes were issued by them, United States notes were to be diminished by four fifths of the amount of national bank notes issued until the aggregate was reduced to \$300,000,000. It was thus a feature of the plan for resumption to increase national bank notes and diminish greenbacks. This Act provided for the resumption of specie payments, January 1, 1879. The legislation relating to resumption will be considered in a chapter upon that subject.

While these successive changes with reference to the greenbacks were in progress, conditions were very much modified by the issuance of other forms of currency and by the premium on gold. Compound-interest notes were virtually out of circulation by 1869. National bank notes, except in the years 1869 and 1870, in which there was a slight decrease, steadily increased until 1875, at which time the total in circulation was \$340,000,000. Fractional currency in circulation also increased from the date of its first issue in 1863, when it amounted to \$15,800,000, until 1874, when it was \$38,000,000. The tendency of the total circulation was irregular. In 1866, 1867, and 1869 there was a decrease partly due in the first two years to the policy of contraction inaugurated by Secretary McCulloch; from 1869 up to 1875 there was an annual increase.

The question of the validity or the constitutionality of the Acts authorizing the issue of legal-tender notes was under consideration by the courts in the later sixties. During the war it had been held by state courts, with substantial unanimity, that the

Acts were valid. Several significant decisions, however, were rendered by the Supreme Court of the United States, which pointed in the opposite direction, one to the effect that the notes were not legal tender for state taxes; another that they were exempt from taxation because they were obligations or securities of the government; also, as was very clear, that they were not legal tender in payment of contracts specifically calling for payment in specie. It was at last decided, in February, 1870, in the case of *Hepburn vs. Griswold*, that, in the case of a debt incurred and maturing before the passage of the Act, greenbacks did not constitute a valid payment. The decision was given by a divided court, four to three, and the opinion was rendered by Chief Justice Chase, who had been Secretary of the Treasury when the Legal-Tender Acts were passed. A second case was taken to the Supreme Court, then differently constituted, and a decision rendered thereon, in May, 1871. The prior holding was reversed, and it was decided that the legal-tender notes constituted a valid payment, not only for debts incurred after the passage of the Legal-Tender Act or Acts, but for those incurred before. Both in the argument and in the decision, the exigency of the occasion when they were issued received prominent attention.

A statute, passed on the 31st of May, 1878, forbade the Secretary of the Treasury, or other officer under him, to cancel or retire any more of the United States legal-tender notes; it also provided that when any of the notes might be redeemed, or be received into the

Treasury under any law, from any source whatever, they should be "reissued and paid out again and kept in circulation." This statute was clearly intended to give the right to pay out notes redeemed by the Treasury. It was an assertion of the power to issue legal-tender notes in time of peace, when theretofore the Acts which had been passed had been explained as an exercise of the war power. Thus the question was clearly raised whether the right of Congress to authorize legal-tender notes was limited in its exercise to the emergencies of war. On this subject the Supreme Court decided, with only one dissenting voice, that such power existed. Justice Gray, in rendering the decision upon this point in the case of *Juilliard vs. Greenman*, on the 3d of March, 1884, placed great reliance upon the principles enunciated in the decision of Chief Justice Marshall in *McCulloch vs. Maryland*. In stating the matter in controversy, he said: "The single question, therefore, to be considered . . . is whether notes of the United States, issued in time of war, under Acts of Congress declaring them to be a legal tender in payment of private debts, and afterwards, in time of peace, redeemed and paid in gold coin at the Treasury, and then reissued under the Act of 1878, can, under the Constitution of the United States, be a legal tender in payment of such debts."

Justice Gray gives a broad scope to the powers of the government. After quoting the powers enumerated by Chief Justice Marshall, he says: "A Con-

stitution establishing a frame of government, declaring fundamental principles and creating a national sovereignty, and intended to endure for ages, and to be adapted to the various crises of human affairs, is not to be interpreted with the strictness of a private contract."

He relied on the section giving Congress power "to make all laws which shall be necessary and proper for carrying into execution the foregoing powers," and says: "The words 'necessary and proper' are not limited to such measures as are absolutely and indispensably necessary, . . . but they include all appropriate means which are conducive or adapted to the end to be accomplished."

With this decision the controversy upon the legality of the greenbacks was set at rest, and the total amount then in existence, \$346,681,016, has continued from 1878 to the present time as the quantity outstanding.



## IX

### REDUCTION OF TAXATION. — TARIFF. — INTERNAL REVENUE

At the close of the war conflicting opinions were advanced with reference to paying the debt incurred. Some favored the continuance of the scale of taxation which had been adopted during the contest until the whole indebtedness should be paid off. A more conservative view prevailed, however, because it was realized that a continuance of war-time taxation would hamper the development of the country, and impose too heavy a burden on the people. Early steps were taken to reduce taxes. The measures for their discontinuance were characterized by something of the same haste and lack of system as marked those which imposed them.

In legislation relating to the tariff, for years succeeding the war, the protectionist sentiment prevailed. Although ostensibly changes had been made in the schedules, to make tariff rates conform to internal revenue taxes, this principle was usually applied in such manner as to increase the protection afforded by duties. Absorbing attention was at first given to questions of reconstruction, and the truth was illustrated that the wisest and most judicious attention is given to great problems of

legislation only when they are regarded as of paramount importance.

The first Tariff Act passed after the war, that of May 16, 1866, imposing a duty of twenty per cent. *ad valorem* on live animals, — horses, mules, cattle, etc., was a concession to the agricultural interests. The next Act, that of July 28, 1866, showed protectionist leanings, in that, in computations of the dutiable value of merchandise subject to *ad valorem* duties, it was enacted there should be added the cost of transportation from the place of export to the United States.

The next measure, that of March 2, 1867, caused a considerable increase in the duties upon wool, with compensating duties on woolen goods. In adjusting the rates as between the two it was computed that one pound of woolen goods should represent four pounds of raw wool. This Act changed the classification and very considerably increased the rates. Prior tariffs had levied a duty according to the value per pound, without subdivision or reference to the purpose to which it was to be applied. The Act of March 2, 1867, made a division into clothing, combing, and carpet wools, respectively, and subdivided the different varieties; the first two into those worth more or less than thirty-two cents per pound, and the last into those worth more or less than twelve cents per pound.

While the wool duties in the Act of 1867 were established at a rate very materially in advance of those which had existed under the Act of 1864,

several reasons for this action were given which appealed very strongly to Congress. The demand for woolen goods had been very much diminished by the disbandment of the army, and it is said that a still further diminution had resulted from the sale by the government of great quantities of garments which had been purchased, but were not required because of the termination of the war. The wool-growers and the wool manufacturers held several conferences and agreed upon recommendations which were in substance accepted by Congress. A commission of three members, which had been appointed under the Act of March 3, 1865, and of which Mr. David A. Wells was chairman, considered these recommendations. Notwithstanding that at this time Mr. Wells was advocating sweeping reductions in tariff schedules, he united with the other two members in favoring these rates upon wool and woolens.

A sentiment for tariff reduction gained considerable strength about the year 1870, and resulted in the lowering of some protective duties and the removal of a considerable number of revenue duties. Again, in 1872, considerable additions were made to the free list, and a horizontal reduction of ten per cent. was made on a variety of articles. In 1870 the duties on tea and coffee, and kindred non-competing products, were materially reduced, and two years later, in 1872, those on tea and coffee were entirely removed.

In the discussions which led to the reductions

in protective duties a division by geographical lines began to manifest itself. There was a strong sentiment for revision in the agricultural regions of the Western States, where the only interest which strongly asserted itself for tariff was that of the wool-growers. Mr. William B. Allison, afterwards a Senator of the United States, took an active part in advocating a decrease of duties, and referred to the declarations made by the leading supporters of tariff bills passed during and since the war, that they were designed only as temporary measures. He said: "But I may be asked how this reduction shall be made. I think it should be made upon all leading articles, or nearly all. . . . I shall move that the pending bill be recommitted to the Committee on Ways and Means, with instructions to report a reduction upon existing rates of duty equivalent to twenty per cent. . . ."

Mr. Sherman, in the Senate, favored the reduction, and said, in speaking of the manufacturers: "I believe it is for their interest to have this reduction of ten per cent. made because their interest is so connected with the general interest of the subject-matter, with the maintenance of the protective system, that I believe it would be a misfortune to them if this concession to the consumers of the country should now be refused. . . . I say again, . . . that in my deliberate judgment, it is better for the protected industries in this country that this slight modification of duties should be made rather than to invite a contest which will endanger the whole system."

There were further manifestations of a sentiment for reduction during the campaign of 1872, but after the election the conviction prevailed that this sentiment was on the wane. The increase of importations caused increased exportations of gold, and, as in war time, this fact created an argument for higher duties. The lessened revenue which resulted from the crisis of 1873, and the general depression of industry, also afforded arguments for a restoration of the duties lowered in 1872. As a result, a bill was introduced which became a law on the 3d of March, 1875, repealing the ten per cent. reduction.

From this time until March 3, 1883, there was no material change in tariff schedules. In 1876 an act was passed to carry into effect a convention made with the Hawaiian Islands, providing that sugar and other products of those islands should be entered free of duty, and in 1879, quinine was placed on the free list.

Internal revenue taxation reached its maximum in the year 1866, when the total amount collected amounted to \$309,000,000, the largest amount realized in a single year until that time from any one general source of taxation in this or any country. It was generally realized that such heavy taxes were inconsistent with the commercial growth and prosperity of the country, and the disposition to make a rapid reduction of the public debt yielded to a desire to lighten the burdens of the people. It was also realized that the system was incongruous and unnecessarily complex and burdensome.

The Revenue Commission appointed under the Act of March 3, 1865, reported in January, 1866, criticising the system then in vogue for its diffuseness and for the burdens which it imposed upon industry. It recommended the speedy reduction or abolition of taxes which in the judgment of the commission tended to check development, and the retention of those which in their opinion fell chiefly on realized wealth, such as the income and inheritance taxes. It advised the concentration of the taxes on a few commodities; and favored the reorganization of the system which, if properly organized and administered, would, in their judgment, on the basis of existing rates, yield \$500,000,000 per annum. These recommendations relating to administration and to reductions, though not immediately accepted, were, for the most part, adopted in the three succeeding years.

The law of July 13, 1866, repealed the taxes on coal and pig-iron, and lowered the rates on manufactures as well as on the gross receipts of corporations. In the following year, on the 2d of March, the rate of taxation on cotton was lowered, while the taxes on a considerable number of manufactured products were repealed. There was another change in the income tax, in that incomes up to \$1000 were declared exempt. A year later, on the 3d of February, 1868, the tax on cotton was removed, and on the 31st of March of the same year a sweeping repeal was made of taxes upon goods, wares and manufactures. Those, however, on gas, illuminating

oils, tobacco, liquors, and banks, as well as those collected by stamps, were retained. There was a third act in the same year, which changed the duty on distilled spirits from two dollars a gallon to fifty cents. A striking illustration of the danger from fraud and dishonesty in collecting a tax which is placed at a high figure, was afforded by the result of this reduction. The income realized in 1868 under the tax of two dollars a gallon was only \$18,655,000, while in the following year the amount under the lower tax of fifty cents was \$45,000,000, and in 1870 it attained the figure of \$55,000,000.

The machinery of assessment and collection was so improved that there was far less evasion and fraud. In one tax, however, this improvement was not manifest. This was the income tax, which, in the later years in which it was in force, did not by any means afford the amount of revenue which was anticipated, a result due in a measure to the frequent changes in the minimum amount and in the rates, but probably more to systematic evasion.

The amount of revenue from internal revenue taxation was determined by three factors: the rate of tax, the prosperity of the country, and the degree of thoroughness in the administration of the laws. Generally speaking, the increase resulting from prosperity, or the business activity of the country, surpassed expectations. For example, it was anticipated that the repeals and reductions of the Act of 1866 would cause a reduction of



\$65,000,000, but the actual reduction was only about \$43,000,000. This influence of business prosperity continued until the year 1873, and was especially marked in the four years beginning in 1869.

In 1870 another sweeping reduction was made, leaving a revenue system, the principal items of which continued until 1883. The income tax, though repealed by this Act, was to continue in force until 1872. The tax on spirits was raised from fifty to seventy cents on the 6th day of June, 1872, to ninety cents on the 3d of March, 1875, and to \$1.10 on the 28th of August, 1894.

The income derived from internal revenue, from 1870 to 1883, corresponded closely to business conditions, falling to a minimum of \$102,000,000 in 1874, and rising to \$146,000,000 in 1882. The revenue from this source, save in the most unprosperous years, almost invariably exceeded the estimate.

In almost every year Senator Sherman, who had become Chairman of the Committee on Finance of the Senate in 1867, made elaborate statements upon the financial condition of the country. The material given in these speeches affords a financial history of the period. He kept in close touch with all questions relating to revenue, expenditures, and the public debt. There were some opinions which he reiterated on numerous occasions. One was that it was desirable to pay off the public debt in about thirty years. He was in favor of such a policy as would diminish foreign importations,

and stated, April 9, 1866: "I hope that the duties received from imported goods will be diminished by a diminution of importations." He was never over-sanguine in his estimates of revenue. He estimated the amount for the year 1866 at \$500,000,000 and that for 1867 at \$400,000,000. The former estimate was surpassed by \$58,000,000 and the latter by \$90,000,000. So great a variety of circumstances influenced the amount of collections that all prognostications during this period were notably incorrect. On one form of taxation he took a pronounced stand, the income tax, which he heartily favored at that time. In some remarks, on May 23, 1870, he sustained this method of taxation and reviewed at great length the experience of Great Britain in the imposition of such taxes, in 1797, and their repeal in 1816 and 1817; he quoted extensively from Mr. Pitt, and from Sir Robert Peel on the occasion when the tax was restored in 1842; also from the remarks of Mr. Gladstone, in 1853. He read at a very considerable length from different writers on political economy who had sustained the tax, such as Mill, Walker, and Perry. He opposed increasing the exemption from \$1000 to \$1500. It was stated that at that time two hundred and seventy thousand people paid the tax, and the proposed exemption would relieve one hundred thousand from payment.

In speeches made in January, 1871, he set forth his views again quite elaborately. In a discussion of this subject, he said: "The income tax

is now only levied upon those whose good fortune it is to enjoy large property, or whose salaries or profits lift them far above the pressing wants that rest upon the great mass of our people." At that time the tax was two and one half per cent. on gross incomes over \$2000. He said: "It is the only tax levied by the United States that falls upon property, or office, or on brains that yield property, and in this respect is distinguished from other taxes levied by the United States, all of which are upon consumption — the consumption of the rich and the poor, the old and the young." He added: "If I consulted my own interest . . . I would yield to the impulsive feeling of the Senator from Massachusetts (Mr. Sumner) who, when the subject was mentioned, on Friday, demanded that the income tax be repealed that night before we went home. I would no longer contend with personal friends who regard this tax as odious and oppressive; but my own conviction is so clear that its repeal now is wrong, both in policy and justice, that it becomes my imperative duty to state the facts and reasons fully and clearly upon which this opinion is founded." In comparing it with other taxes, he said: "There is no argument of injustice or hardship that can be mentioned against the income tax to be compared to the tax upon tea, coffee, and sugar." He alleged that the income tax, while it applied to only about sixty thousand people, rested upon those who did not pay their proper share of other taxes.

Regarding the constitutionality of the Act, he maintained that the tax had been levied by the United States since 1863, and that no court, so far as he knew, had pronounced the law unconstitutional, \$150,000,000 having already been collected under it.

## X

### NATIONAL DEBT. — REFUNDING OF BONDS

FROM the date of the maximum public debt, August 31, 1865, there was a succession of years in which a substantial reduction was made. Receipts largely exceeded expenditures until the year 1874, at which time the full force of diminished taxation made itself felt, and the industrial depression added to the difficulty. The total amount of reduction accomplished by June 30, 1872, was \$600,000,000.

While the public debt reached its maximum in 1865, the greatest expenditure for interest was in the year 1867. In that year it amounted to over \$143,000,000, a sum equal to more than twice the total expenditures of the government in the year 1861. Equally striking is a comparison of the amount of interest paid out with other expenses of the government in this time of large expenditures and heavy debt. After deducting the cost of the military establishment, which continued at a very considerable figure until 1870, expenses for interest comprised more than one half of all the other expenses of the government, from 1866 to 1870, inclusive. Only a comparatively small fraction of the debt at this time ran for any considerable number of years.

At an early date, a variety of funding measures were proposed. The first was introduced by Mr. Sherman in the Senate, in April, 1866, proposing a five per cent. bond redeemable after ten years, to be issued in exchange for any of the outstanding obligations of the United States. He advocated this measure but it failed of passage, and 6 % bonds were for the most part employed for refunding.

Under statutes previously enacted, giving most ample powers to the Secretary of the Treasury, changes in the form of indebtedness were rapidly made by Secretary McCulloch. The first of these was the substitution of permanent loans for short-time Treasury notes and bonds. The funding into securities having not less than five years to run was practically complete by 1869, and by far the larger share drew interest at 6 % in gold.

A second funding bill was introduced in December, 1867, which provided for a domestic loan at 5 %, and a foreign loan at  $4\frac{1}{2}$  %. This was passed near the end of the session, but, not being approved by President Johnson, failed to become a law, for, although on political questions a two-thirds vote could readily be mustered against the President, the same was not true of financial questions. Nothing further was seriously attempted while Johnson was President.

The important Act of this period was that of July 14, 1870. As introduced by Mr. Sherman in the Senate, it made provision for three classes of bonds, each amounting to \$400,000,000. The

first was to be redeemable in ten years, with interest at 5 %; the second in fifteen years, at  $4\frac{1}{2}$  %; and the third in twenty years, at 4 %. In presenting the bill Mr. Sherman reviewed the financial legislation of the Civil War and defended the Legal-Tender Act of February 25, 1862. He also expressed gratification because of the adoption, under the Senate amendments, of the provision in that Act for the payment of interest in coin, and all duties on imports in the same manner. He said: "We provided for gold interest and gold revenue to avoid the extreme inflations of an irredeemable currency. We wished to rest our paper fabric on a coin basis and to keep constantly in view ultimate specie payments. I believe that but for that provision in the Loan Act of February 25, 1862, in 1864 our financial system would have been utterly overthrown. There was nothing to anchor it to the earth except the collection of duties in coin, and the payment of the interest on our bonds in coin." In this speech, as on numerous other occasions, he expresses the desirability of retiring the legal tenders. In defending the legal-tender measure he said: "But it must be remembered that this clause (that is, the legal-tender clause) was justified only by the exigencies of war. It was not intended as a measure of peace. The legal tenders were only the instruments of battle; they were musketry and cannon; and when peace came they should have been rapidly retired."

Some funding measure was urgent, because,



during the current year, over \$1,100,000,000 of the public debt became redeemable, and it was desired, if possible, to substitute for outstanding securities bonds drawing a lower rate of interest.

In advocating twenty years as a maximum time within which the bonds should be redeemable, and forty years as the maximum period in which they should become payable, Mr. Sherman maintained that, unlike the policy of Great Britain, this had been the plan pursued in the United States, beginning with the financial projects of Hamilton. The policy adopted here looked always to the payment of the principal of the debt within the life of the generation that created it. He said: "This is the established policy of our country, and I trust it will never be departed from." He clearly foresaw that if a long-time bond should be issued it would be necessary, in redeeming it, to pay a premium, and cited the loans of 1842, 1847, 1848, and 1850, the latter called the Texas Indemnity Bonds. On these securities premiums ranging from fourteen and one half to twenty per cent. had been paid, although many of the bonds were sold originally at a figure below par. "We have always paid our debts," he said, "before we agreed to pay them. . . . It is important to us to reserve the right to redeem these bonds within a limited period of time, so that we may not in the future be compelled to pay high rates of premium."

As a part of the plan national banks were to be compelled to surrender their holdings of bonds

and accept, in exchange, bonds provided by the Bill, not more than one third of which should be of the 5 % or  $4\frac{1}{2}$  % varieties. This provision was very strongly opposed by the national banks. In this connection Sherman said: "I do not see how we can go before the people of the United States and ask them to lend us gold at par for our bonds when we refuse to require agencies of our own creation to take them." He abandoned this provision very reluctantly, and only because, as he said: "In order to secure a funding bill, we have been compelled to abandon all provisions in regard to the national banks."

In the further consideration of the bill in the House a failure to realize the prospective fall in rates of interest proved expensive to the Treasury. The decided opinion in that body was to the effect that money could not be borrowed by the government at so low a rate of interest as 4 %, unless for a long period. The House, after considerable delay, passed a bill authorizing the issuance of \$1,000,000,000 of bonds redeemable after thirty years at 4 % interest. An apparently hopeless deadlock arose between the two Houses. After the failure of many attempts at agreement a compromise was made under which \$200,000,000 of bonds at 5 % were authorized, redeemable after ten years; \$300,000,000  $4\frac{1}{2}$  % bonds, after fifteen years; and \$1,000,000,000 4 % bonds, after thirty years.

This resulted in a decided change in the policy of borrowing. Theretofore, no bonds had been

issued for meeting the expenses of the Civil War which could not be paid in ten years, or less. In the following winter a change was made by which the quantity of 5 per cent. ten-year bonds which were authorized, was increased from \$200,000,000 to \$500,000,000, but with the provision that the total amount to be issued should not exceed that in the original bill — \$1,500,000,000.

In view of the high rates of interest which prevailed during the season of great business activity in succeeding years, the bonds drawing the lower rate of interest were not sold. The whole authorized issue of \$500,000,000 was disposed of prior to August 24, 1876; after which time  $4\frac{1}{2}$  % bonds were sold until June, 1877, by which time \$200,000,000 had been disposed of. At that time Mr. Sherman had become Secretary of the Treasury, and revoked the negotiations for the sale of  $4\frac{1}{2}$  % bonds, and began to dispose of those drawing only 4 %.

This legislation was extremely unfortunate for the government. In the years from 1887 to 1891 there was abundant revenue available for reduction of the public debt, but no obligations of the government were available for redemption. It became necessary to purchase those bonds which were not payable until the expiration of thirty years. In all, more than \$50,000,000 of premiums were paid, the rate of premium in some instances reaching as high a figure as 29 %.

A controversy arose during this period about

the manner of payment of bonds of the United States — whether it was obligatory that they should be paid in coin, or whether full compliance with the contract was had when they were paid in currency. The Legal-Tender Decisions had not yet been rendered, but all calculations were made upon the assumption that the Legal-Tender Act would be declared valid. From the standpoint of the letter of the contract the preponderance of the argument would seem to have been in favor of the right to pay the principal of the bonds in greenbacks.

The fundamental Act was that of February 25, 1862, in which provision was made for the issuance of legal tenders, and in which it was said: "Such notes . . . shall be receivable in payment of all taxes, internal duties, excises, debts and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin . . ."

The Act of July 11, 1862, contains the same phraseology as that of February 25, except that in place of the words "bonds and notes," in referring to interest, there appear the words "bonds, notes, and certificates of debt or deposit." It is important to note that the holders of these notes might exchange them for bonds, a privilege which at first was not limited in time, though later limited until July 1, 1863; also that this privilege was made a

part in each of the earlier acts of the section authorizing the issuance of legal tenders. It was further provided that such United States notes should "be received the same as coin, at their par value, in payment for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury." Similar language was adopted in the Act of March 3, 1863, the last of the Acts authorizing the original issuance of legal tender notes.

Other statutes relating to bonds were passed on March 3, 1863, in another section of the Act last referred to, and on March 3, 1864, providing for the issue of the so-called ten-forty bonds and their payment in coin. This last fact does not seem, however, to afford an argument in favor of the payment of bonds in coin, but rather the contrary, except so far as these particular bonds were concerned.

The facts alleged in favor of payment in gold were the issuance of circulars by the agents having the sale of bonds in charge, stating that the principal would be paid in gold; and statements made in the discussion in Congress at the time that such was the intention of the government. On this subject General Garfield had said, at the close of the war, that according to his recollection every one took it for granted during the discussion that payment would be made in gold; and Secretary Chase maintained in statements made while he was Secretary of the Treasury that such was the intention. Mr. Thaddeus Stevens had said,

while the bonds were under discussion: 'Widows and orphans are interested, and in tears lest their estates should be badly invested. I pity no one who has money invested in United States bonds, payable in gold in twenty years, with interest semi-annually.'

In strict construction, these facts would not control the plain letter of the contract, which was outlined in legislation on the subject, but other considerations sufficient to outweigh any form of technical argument should enter into the decision of so important a matter. In the first place, no government of advanced position could afford to allow the permanent debasement of its monetary standard, or suffer it to fall below that of other commercial nations of the same rank. Credit is a quality of a nation as well as of an individual, and even from the most selfish standpoint it would not be desirable to tolerate other than the highest standard. Then, too, it was all the while anticipated that the abandonment of the gold basis was but a temporary aberration from a normal currency. It was expected that in a short time specie payments would be resumed.

So far as precedents derived from the action of the Treasury are concerned there is but one incident which affords any light. Certain bonds were issued in the year 1842, amounting to nearly \$3,000,000. These fell due on the 1st of January, 1863. The question arose whether they should be paid in currency or in coin, there being no specification in the

contract. An opposition member of Congress presented a resolution adopted December 16, 1862, asking the Secretary to report how he proposed to pay. January 5, 1863, an answer was given, stating that he had already paid in coin. The answer gives a list of the names of all the holders of the bonds, and the Secretary says:

“My judgment was determined in favor of payment in coin not merely by the weighty considerations growing out of its beneficial influences on public credit, but by the circumstance that I found myself able to obtain the needed specie at a cost so small that payment in coin was, in fact, a less inconvenience to the Treasury, and a less interference with payments to and for the army and navy than payment in notes would have been. The whole amount of coin required was advanced by moneyed institutions, most of which, it is believed, had no interest in the loan, nor any interest in the transaction except what arises from the general support of the public credit.”

He subjoined a letter signed by twenty presidents and vice-presidents of financial institutions in New York, stating that it would be injurious to the credit of the United States if the bonds were not promptly paid in coin, and that the failure to do so would deteriorate the value of all government stocks to an extent far exceeding the whole sum in question. They also stated that it was the only loan maturing for nearly two years to come.

Mr. Sherman has been very much criticised for his utterances upon this question. Some apologists have sought to explain his attitude by showing that he maintained the right to pay five-twenty bonds



in legal tenders only under certain conditions. He himself would not have made such a defense, and his position on the subject was entirely clear. His object can be very readily gathered from the debates which occurred in the five years succeeding the war. He was all the while seeking to reduce the rate of interest on public securities, and to allow a ready interchange of legal tenders for bonds. In this way he anticipated that rates of interest would be lowered and that the greenbacks would approach equality with coin. What he actually said on the subject is found in a report to the Senate, and in speeches there, made respectively on December 17, 1867, and February 27, 1868. In the report he reviewed the arguments for and against the obligation to pay in coin, and cited the legislation above referred to, and added: "The law does not expressly provide that the principal is payable in coin, but does provide that the 'interest shall be paid in coin,' thus raising the implication that the principal may not be. To meet this implication it is shown that by the established policy of the government the principal of the public debt has always been paid in coin, without any stipulation to that effect." He quotes from a letter of Secretary Chase, written in May, 1864, in which he said, of the five-twenties and the twenty-year sixes: "These bonds, therefore, according to the usage of the government, are payable in coin."

He opposed the passage of a resolution declaring that the bonds should be redeemable in gold, saying

that instead of settling the question it would surely create divisions and parties and that the resolution when passed would be subject to agitation and repeal. He took the lead in the committee in proposing the substitution of new bonds which by their terms were clearly made payable in gold. Still further insisting upon the right to pay in legal tenders he said: "To give more than is stipulated to the public creditor is to do injustice to the taxpayer; to give less is to violate the public faith."

He called attention to the gold value of the money in which the bonds were purchased, and showed that in 1863 they were sold at an average price of seventy-four cents in gold. At the same time, as a matter of justice to the bondholders, he distinctly opposed the further issuance of legal-tender notes beyond the amount then authorized by law; at least, until they were convertible into gold and silver. He said: "Our duty is to elevate the greenback, the standard of national credit, to the standard of gold, the money of the world."

At this time it would seem that he still adhered to the opinion that the greenback should be withdrawn, for he said: "Your committee are of the opinion that the time is not distant when it will become the duty of Congress to repeal so much of existing laws as makes the United States notes a legal tender in payment of debts either public or private."

On the 27th of February, 1868, he again discussed the subject of the obligations of the government,

and maintained the right to pay the principal in paper money where an express provision to the contrary was lacking. The committee proposed giving to the holders of the five-twenty bonds the option, until the following 1st of November, of making an exchange by which the holders of the public securities could receive a bond at a lower rate of interest. It was conceded that they would continue to draw six per cent. interest in gold if the exchange was not made, leaving the question with reference to the principal to be decided at a later time. After reference to the course adopted in England, in 1822, and to the action of Alexander Hamilton, in modifying the terms of loans issued by our government, Sherman referred to this offer to substitute other bonds, and said in distinct language: "If the offer is rejected I will not hesitate to vote to redeem maturing bonds in the currency in existence when they were issued, and with which they were purchased, carefully complying, however, with all the provisions of law as to the mode of payment, and as to the amount of currency outstanding."

It will be noticed that his expressions on this subject were conditional, but his utterances furnished a basis for many arguments of the Greenback party in succeeding years.

In the following year, near the close of President Johnson's administration, he said: "I declare now to you that my construction of the law under which these five-twenties, and under which the greenbacks were issued, still remains unchanged; but I do assert,

as a question of public policy, that it is wise now for us to declare, in the language of this bill, that the bonds and greenbacks alike shall be paid in gold as rapidly as we can do so."

In his "Recollections" he frankly expresses his change of opinion on this subject. He says: "I do not approve all I said in that speech of February 27, 1868. . . . It has been frequently quoted as being inconsistent with my opinions and action at a later period. It is more important to be right than to be consistent. I then proposed to use the doubt expressed by many people, as to the right of the government to redeem the five-twenty bonds in the legal-tender money in circulation when the bonds were sold, as an inducement to the holders of bonds to convert them into securities bearing a less rate of interest, but specifically payable in coin. Upon this policy I changed my opinion. I became convinced that it was neither right nor expedient to pay these bonds in money less valuable than coin, that the government ought not to take advantage of its neglect to resume specie payments, after the war was over, by refusing the payment of the bonds with coin. I acted on this conviction when, years afterwards, the Resumption Act was adopted, and the beneficial results from this action fully justified my change of opinion."

Another question arose at this time which awakened much discussion, — that relating to the taxation of government bonds. As a business proposition it would seem plain that whatever amount is

paid by the holder of bonds for taxes would inevitably be added to the rate of interest. As levies for local taxation were very different in different portions of the country, in some places the payment made by the taxpayer on bonds, if taxed, would prohibit him from purchasing them, while the foreigner, or the resident of a locality less taxed, would realize a much larger income from them. Mr. Sherman opposed propositions for allowing the states to tax the bonds. True, at one time he joined with the rest of the Finance Committee of the Senate in recommending the reservation of a specific portion as the equivalent of taxation on the entire debt negotiated, with a view to distributing it among the states according to their population. This proposition does not seem to have been carefully matured, and it was abandoned.

In 1868 the question again arose. The popular prejudice against bondholders was so strong that any proposal for a tax on their holdings was received with a great deal of favor. On this occasion Sherman said: "No government that I have been able to find ever allowed its bonds or securities to be taxed. The United States never did. In the absence of stipulations to the contrary the courts have always held that no state or subordinate authority could tax the national securities. . . . The effect in time of war would be disastrous."

He opposed taxation on the bonds by the general government as being a direct tax and in violation of the Constitution, unless apportioned among the

states according to population, while conceding that the interest on them was subject to the income tax. On another occasion he said: "The exemption of public securities is not the result of any Act of Congress. It grows out of the provision of the Constitution of the United States which secures to Congress the power to borrow money, and out of the supreme nature of that power which cannot be affected or limited by the act of any state or local government. . . . If a state may tax a security of the United States, it may entirely defeat a power essential to the existence of the government."

President Johnson, in his last annual message (filed contemporaneously with the report of Secretary McCulloch, in which the latter strongly advocated the payment of bonds in gold, and laid great stress upon the importance of public credit), while judiciously advising against extravagance, made a most remarkable recommendation to Congress. He called attention to the great increase in public expenditures, alleging that while the population between 1791 and 1869 had increased 868%, expenditures had increased 8618%, and that the increase between the census years 1860 and 1869 showed an even larger disproportion, or only 21% as against 489 %. He added: "These startling facts clearly illustrate the necessity of retrenchment in all branches of the public service. Abuses which were tolerated during the war for the preservation of the nation will not be endured by the people now that profound peace prevails."

He then made a bald recommendation for repudiation. The Secretary of the Treasury had recommended five per cent. as the rate of interest upon which refunding bonds should be issued, while some had regarded three per cent. as sufficient. President Johnson came to the conclusion that by compulsory action interest might, in effect, be abolished. He said: "The general impression as to the exorbitancy of the existing rate of interest has led to an inquiry in the public mind respecting the consideration which the government has actually received for its bonds, and the conclusion is becoming prevalent that the amount which it obtained was in real money 300 or 400 % less than the obligations which it issued in return." In making this statement he made a palpable error not only in regard to the obligations of a contract, but also in mathematics. 100 % would equal the total par value of the securities, and a reduction to that extent would cancel them. But President Johnson, in his extraordinary statement, went further and said that the amount paid for the bonds was 300 or 400 % less than their par value. He then added a recommendation that as the securities drew 6 % in gold, equal to 9 % in currency, the 6 % paid by the government should be applied to the reduction of the principal in semi-annual installments, which, he said, in sixteen years and eight months would liquidate the entire interest-bearing national debt.

This portion of his message was not taken seriously. Indeed, the majority in Congress had ceased



to pay any attention to the President's recommendations, and it may even be a question whether his action did not strengthen the disposition to pay the principal of the bonds in gold.

Both Senate and House promptly condemned President Johnson's utterances. The Senate passed this resolution: "That the Senate, properly cherishing and upholding the good faith and honor of the nation, do hereby utterly disapprove of and condemn the sentiments and proposition contained in so much of the late annual message of the President of the United States as reads as follows." Then follows his recommendation for repudiation above given. This passed by a vote of 43 to 6, and a similar resolution in the House by 155 to 6. In fact, the Fourteenth Amendment contained a clause which settled all controversy on the subject. It included the following distinct declaration: "The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned."

Party lines had not been drawn upon the question. A resolution was introduced by Mr. Samuel J. Randall of Pennsylvania, a Democrat, and passed on the 5th of December, 1865, with but one dissenting vote. It declared that the public debt created during the late rebellion was contracted on the faith and honor of the nation; that it was sacred and inviolate and must and ought to be paid, principal and interest; that any attempt to repudi-

ate or in any manner to impair or scale the said debt should be universally discountenanced and promptly rejected by Congress if proposed.

Not all the time of Congress, in the years immediately succeeding the war, was given to reconstruction, nor yet to fiscal questions, such as currency, repeal of internal revenue taxes, or refunding of bonds. A bankruptcy law was passed in 1867, the third since the formation of the government. A bill supplemental to the Homestead Act of 1862, was passed in 1866. It restricted each entry to eighty acres, and gave the right to enter upon government lands in the states of Alabama, Mississippi, Louisiana, Arkansas, and Florida, with the express provision that the exercise of this right should be without distinction of race or color. The first of the general acts limiting hours of labor was passed in 1868.<sup>1</sup> It enacted that eight hours should constitute a day's work for all laborers, workmen, or mechanics, then or thereafter employed, by or on behalf of the United States. Mr. Sherman moved to add as a proviso: "Unless otherwise provided by law, the rate of wages paid by the United States shall be the current rate for the same labor, for the same time, at the place of employment." This proviso failed of adoption.

Numerous statutes granting lands to railways and

<sup>1</sup> On the 31st of March, 1840, President Van Buren, with the avowed object of establishing a uniform rule, issued an Executive Order prescribing ten hours for laborers or mechanics in the employ of the government.

to states for internal improvements were passed. A Department of Education was established. An appropriation of \$100,000 for the erection of a building for the Commissioner of Agriculture was strongly supported by Mr. Sherman, and became a law, although Senator Fessenden opposed it, and said the appropriation was a committal to large undertakings and the beginning of a very considerable expense to the government.

It is instructive to note the tendency during this period to increase the civil expenses of the government, a tendency apparent not only during and after the gigantic Civil War, but in minor conflicts, such as the War of 1812, and the contest with Spain. The increase begins during the war, and gathers even greater volume after. It would seem that the necessity for larger expenditures for military purposes would create quite the opposite tendency in civil affairs, as the need of economy is emphasized by the great demands for the maintenance of the army and navy. As a rule, quite the contrary is the case. The reasons for such increase are not difficult to explain. It is impossible to maintain a large scale of expenditure in any one department, however essential to the nation's life, without demands for lavish expenditures in others, whether pertaining to the military or the civil side of the government. The cost of living, and of the different branches of the public service, is increased by the war. The cost of supplies, the amounts paid on contracts and salaries, all in-

crease. In addition to this the larger taxation and consequent revenue, and the placing of loans, reveal the resources from which greater disbursements can be made. Claims, which for a long time have been postponed, are brought to the front. Improvements and recommendations, disregarded prior to the war, are pressed upon the attention of Congress, and, as a result, extravagance is created all along the line. This was strikingly manifest after the Civil War. Expenses of the civil and miscellaneous list, which had reached \$23,797,000 in 1859, attained to \$56,474,000 in 1869. The amount expended for the support of the Indians, which had been \$3,490,000 in 1859, reached \$7,042,000 in 1869.

In the presidential campaign of 1868 Mr. Sherman favored the nomination of Chase by the Republicans. He, as well as his brother, doubted whether Grant would add to his reputation by assuming the office of President, although conceding the nomination was his if he desired it. His relations with Grant, although friendly, were at no time, while he was President, of the closest character. When Grant was severely criticised after the battle of Shiloh, Sherman vigorously defended him in the Senate. A man of large experience in the legislative or executive department is prone to regard a candidate for the presidency, whose main qualification is military service, with a degree of distrust or even of dislike. President Grant brought to the office less experience in civil

life than any of his predecessors, with the possible exception of President Taylor, of whom as a candidate for the presidency Webster had spoken in terms of unkindness, if not of disrespect.

President Grant was at first inclined to side with that element of the Republican party which was most liberal to the South, and urged Congress to take measures for the restoration of Virginia and other states to the Union; but toward the conclusion of his first term, he became thoroughly identified with the radicals. He associated less with prominent senators and representatives than was expected, and apparently relied for advice upon a small number, among whom were Conkling, Logan, and a few others, the influence of Conkling being especially potent with him. During his first administration he alienated quite a number of the leading men of his party, partly from personal considerations. Senator Sherman gave him cordial support for his second election in 1872.

Sherman's relations with other Presidents after President Grant, with the exception of Hayes, were not of the most cordial nature, though with Garfield, and at first with McKinley, they were very friendly. As regards Arthur, there was a pronounced repulsion, due to the fact that, at his instance, Arthur had been removed from the position of collector of the port at New York. There was little between them during that administration beyond the compulsory formalities of social and official life.

Several distinctive characteristics are manifest in Sherman's legislative career during this period. He was wont to regard a policy once adopted by Congress as a settled fact, not to be interfered with, somewhat akin to the decision of a court. As an illustration, he was absolutely opposed to the Funding Act of 1870, because of the long-time period, thirty years, provided for most of the bonds. Yet during nearly seven years' service in the Senate, before he became Secretary of the Treasury in President Hayes' cabinet, he did not attempt to change this provision, nor yet by any recommendation while Secretary of the Treasury. When it was evident that the action of the House would not be in accordance with that taken by the Senate, he in some instances showed a similar disposition by reluctantly giving his support to measures adopted, stating frankly to the Senate that he did not approve the action of the other body on schedules of tariff or internal revenue, but that the constitutional right belonged to the House in the first instance, to determine these questions, virtually taking the stand that it was useless to seek to modify its action.

In his desire for the prompt disposal of fiscal measures presented by him as Chairman of the Senate Finance Committee, he often insisted upon postponement of other legislation, and sometimes incurred the obloquy of his colleagues by opposing policies to which, except for his assertion of the prerogatives of his committee, he would not have

objected. In his anxiety to obtain early action on bills presented by him he sometimes argued against other propositions with impatience and even with irritation.

He desired to have all legislation of practical value, and his opposition to any mere theoretical declaration was repeatedly shown. When a concurrent resolution to prohibit the admission of senators and representatives from states lately in rebellion was brought forward by Mr. Fessenden, he opposed its consideration, stating that each House must pass upon the qualification of its members, and there was no practical benefit to be gained from passing such a resolution. In referring to Senator Fessenden's remarks he said: "The Senator says that no question can be so important as this. Sir, in my judgment no question can be very important which can lead to no practical results. The true test of the importance of every measure is, what good will result from it." It was also a fixed idea in his political creed that it was useless to stand in the way of an overwhelming public opinion or try to pass or enforce a measure which public sentiment did not sustain.



## XI

### FINAL ACCOMPLISHMENT OF LEGISLATION FOR RESUMPTION

AFTER the Act of 1868, suspending further contraction of legal tenders, it was useless to attempt to secure resumption by that method. Any proposition looking to a diminished volume of greenbacks would have been promptly defeated by Congress, and even more emphatically rejected by the people. For some years after 1866 a popular vote would not have sustained either the withdrawal of the greenbacks or the issuance of bonds to provide gold for the purpose of resuming specie payments. The desire for a large amount of paper currency was so deeply seated that the final successful outcome was only gained when the leaders of the Republican party realized, not only the propriety, but also the absolute necessity for resumption.

So late as the 24th of January, 1870, Mr. Sherman, in speaking of a proposition to withdraw United States notes, said: "This proposition, even if it should receive the assent of the Senate, would probably not receive that of the House. The greenbacks are a great favorite of the people. They were the agency and means by which our country was carried through the war. They are a con-

venient form of currency. . . . Even if our reason should convince us that it is wiser and better to withdraw them in order to give place to national bank notes, and gold and silver coin, the opinions of our constituents would prevent us from doing it. This feeling is the great obstacle to specie payments." Nevertheless, in the same speech he expressed what was doubtless his own opinion at that time, as follows:

"Other nations as well as our own have often tried the experiment of maintaining a circulating note issued by the government, and they have uniformly found it to fail. It is impossible to give a currency issued by a government the flexibility necessary to meet the movement of the exchanges; and therefore experience has shown that a note issued by a government, and maintained upon the guarantee of the government alone, does not form a good circulating medium, except during a suspension of specie payments. It must have a flexibility which will enable it to be increased in certain periods of the year, and to flow back again into the vaults of the banks at others. I am convinced, although it is unnecessary to discuss that point here, that in time it will be wise to retire our United States notes, and all forms of government circulation, and depend upon notes issued by private corporations, amply secured beyond peradventure, so that in no case can the noteholder lose, and to subject the banks to regulations applicable to all parts of the country, making them free, so that the business of banking will be like the business of manufacturing, blacksmithing, or any other ordinary occupation or business of life, governed only by general law."

President Johnson, in his message of 1867, expressed the predominant opinion that resump-

tion was desirable, but that it was not worth while to make sacrifices to secure it, by saying that it was the duty of the government, as early as might be consistent with the principles of sound political economy, to make the greenbacks and the bills of national banks equivalent to specie. But, he added: "A reduction of our paper circulating medium need not necessarily follow."

The hardship which would fall upon the debtor was forcibly expressed, in some remarks made by Mr. Sherman, in the Senate, in January, 1869. He said:

"But the distress caused by an appreciation of the currency falls mainly on the debtor. . . . It [specie payment] means the payment of \$135 where he has agreed to pay \$100, or, which is the same thing, the payment of \$100 where he has agreed to pay \$74. Where he has purchased property and paid for one fourth of it, it means the loss of the amount paid; it means the addition of one fourth to all currency debts in the United States. A measure to require a debtor now to pay his debt in gold, or currency equivalent to gold, requires him to pay one hundred and thirty-five bushels of wheat when he agreed to pay one hundred; and if this appreciation is extended through a period of three years, it requires him to pay an interest of 12 % in addition to the rate he has agreed to pay. When we consider the enormous indebtedness of a new country like ours, where capital is scarce and where credit has been substituted for capital, it presents a difficulty that may well cause us to pause. We may see that the chasm must be crossed, but it will make us wary of our footsteps. Good faith and public policy demand that we appreciate our currency to gold; but in the process we must be careful that bankruptcy, distress, and want

do not result. The debtors of this country include the active, enterprising, energetic men in all the various employments of life. It is a serious proposition to change their contracts so as in effect to require them to pay one third more than they agreed to pay. They have not paused in their business to study questions of political economy. They have based their operations upon this money which has been declared to be lawful money. Its relative value may be changed, but a reasonable opportunity should be given them to change their contracts so as to adapt them to the new standards of value."

Funding the debt was still with him the object of supreme importance. Until the very date of the Resumption Act, in January, 1875, he favored resumption by making the legal-tender notes exchangeable for bonds, and even in his remarks presenting that measure he said that his personal judgment was in favor of such a course.

In a discussion in March, 1870, some opposition developed to allowing the greenbacks to be exchanged for four per cent. bonds. On this subject he said:

"It is idle to talk about specie payments either now or in the future, when you refuse to give for the greenbacks an obligation of the government bearing 4% interest in gold. Sir, this measure, as far as this point is concerned, is a weak one. The noteholder ought to have more privileges than are conferred by this bill; but the fear of contraction, of a disturbance of the business relations of the country, as an effect of a sudden return to specie payments, must be guarded against, as we have endeavored to do. . . . The vote of the Senate on this question will have far more effect upon the resumption of specie pay-

ments than any vote that has been taken at the present session. If we now again dis sever the connection between the note and the bond we allow the note to float on the market, a mere toy for speculators, to be raised or lowered at their pleasure. But if we now tie it to our public credit, tie it to the market value of the bonds, we shall have anchored it to a sure foundation, where it may rest in the hands of the people, to be floated into the Treasury in payment of bonds until all that are left — and nearly all will be left — will be paid in gold and silver coin when we resume specie payments."

For a time he did not favor the plan of fixing a specific day for resumption. When such a proposition was made by Senator Morton, in January, 1869, he argued: "Would not the effect of his measure be that the government would hoard the gold and the people the greenbacks, and thus make the contraction he fears? What more profitable investment could any man make than to take this dollar, now having a purchasing power of seventy-four cents in gold, and lock it in his safe with a certainty that in two years it must be worth one dollar in gold, an annual advance of seventeen and a half per cent. . . . All the historical precedents show that fixing the day for resumption inevitably leads to a contraction of the currency by the banks, so that when the day comes the scarcity of currency shall prevent a demand for coin." This objection to the accumulation of a redemption fund was very generally made, and the plan was rejected as impracticable by many of the most steadfast and intelligent opponents of paper money.

With the election of General Grant, in November, 1868, on a platform denouncing repudiation, followed by the passage of the Public Credit Act of March 18, 1869, the prospects of resumption revived a little. President Grant, in his inaugural address, in March, 1869, and in his message of the following December, strongly advocated it. In his inaugural he said in referring to the debt: "The payment of this, principal and interest, as well as the return to a specie basis as soon as it can be accomplished without material detriment to the debtor class, or to the country at large, must be provided for." In his message he said: "Among the evils growing out of the rebellion, and not yet referred to, is that of an irredeemable currency. It is an evil which I hope will receive your most earnest attention." He added, however: "Immediate resumption, if practicable, would not be desirable. It would compel the debtor class to pay, beyond their contracts, the premium on gold at the date of their purchase, and would bring bankruptcy and ruin to thousands."

On February 21, 1870, the House passed a resolution that the business interests of the country required an increase in the volume of circulating currency, and advocated an increase of at least \$50,000,000. The Senate three days later passed a resolution that "to add to the present irredeemable paper currency of the country would be to render more difficult and remote the resumption of specie payments; to encourage and foster a spirit of

speculation; to aggravate the evils produced by frequent and sudden fluctuations of values; to depreciate the credit of the nation, and to check the healthful tendency of legitimate business to settle down upon a safe and permanent basis; and therefore, in the opinion of the Senate, the existing volume of such currency ought not to be increased."

It must be said that while Mr. Sherman had not supported any project which would cause a rapid withdrawal of the greenbacks, he, at all times, stood equally firm against any further debasement of the currency by an additional issue, and against any plan which did not contemplate their final equality with gold; but it was not until the month of January, 1873, that he took a decisive stand for resumption and insisted upon immediate practical steps for its accomplishment.

In a report made on the 14th of January, 1873, he expressed the views of the Committee on Finance of the Senate, and his own, upon the subject of the reissue of greenbacks. Mr. Richardson, Assistant Secretary of the Treasury, in the absence, but with the later approval, of Secretary Boutwell, had reissued some \$5,000,000 of legal tenders over and above the amount outstanding when the Act of February 4, 1868, became a law. In addition, there had been issued a million and a half to replace the amount burned at the time of the Chicago fire. This issue, however, was based upon the destruction of the notes, while that of the \$5,000,000 was in view of a supposed public emergency. With



substantial unanimity the committee condemned this course, and denied the right of the Secretary of the Treasury to exercise such a power. In his report, Mr. Sherman says: "A power over the currency so wide-reaching as the power to issue \$44,000,000 of new legal-tender notes (the difference between the amount fixed in the Act of 1868 and the amount originally authorized) is one that ought not to rest upon implication."

Two days later, on the 16th of January, 1873, he made the first of a series of speeches in which he emphasized the supreme importance of a return to specie payments. From this time on he became the most influential and foremost champion of resumption. Whatever hesitancy there may have been in his utterances theretofore, there was no uncertainty in his remarks on this occasion, nor at any time thereafter, until resumption was triumphantly accomplished. He asserted that the restoration of our currency to a specie standard was an object of primary importance. He argued for it on the ground of public faith. "Every United States note," he said, "is a dishonored obligation, a promise to pay, but with no payment or provision for payment. . . . Tested by the rules of law between individuals it would be enforced by sale on execution, and by process of compulsory bankruptcy. Yet it is the promise of the United States. Surely the dishonor of this broken promise can have no longer an excuse in the necessity of war. . . . It is now four years since we solemnly pledged

the national faith to redeem them in coin at the earliest practicable period. . . . To delay longer is to tamper with the public honor and familiarize our people with an open, palpable, long-continued breach of the public faith." He added: "But specie payment is not only required by public faith; it is now demanded by public policy; — or, to use a narrower phrase, it is wise political economy. Experience has established that every nation using a depreciated currency loses in exchanges with a nation having a better currency. . . . Again, it is impossible to give to a depreciated currency the quality of flexibility. . . . All the existing laws authorizing United States notes and bank notes are based upon the theory of specie payments. . . . If, then, public faith, public policy, and the spirit of our laws demand that our currency be restored to the specie standard, it would seem that the only remaining inquiry should be, what is the best way to resume?"

In meeting the objections that specie payments would add largely to the burden of debt he said: "The effect of any measure upon the interests of active business men should be carefully studied, but individual hardship is not sufficient reason for a violation of public faith or a disregard of the general interests or policy of the whole country."

He maintained that the effect of a specie standard in producing a contraction of the currency was greatly exaggerated, and said: "A contraction of the currency is not necessarily a result of specie

payments, though it would undoubtedly produce them. It is the most direct road to specie payments, and, if the paper money in circulation is in excess of the wants of the community, it is the only road."

As on previous occasions, the two different methods of securing and sustaining resumption were referred to, — the maintenance in the Treasury of a large reserve in coin, and the authority of the Secretary of the Treasury to sell bonds for coin. To these he added a third, which he favored: i. e., to authorize an alternative redemption either in coin or bonds. He recommended a measure to the effect that on the 1st of January, 1874, the United States would redeem its notes either in coin or with bonds of convenient denominations, bearing 5 % interest in coin. It was expected that in case the Secretary of the Treasury was not able to pay out coin for the redemption of the notes, the attraction of a bond, payable in gold, would cause such a contraction of the currency that resumption would result from the diminished amount in circulation. No action was taken upon this recommendation. The House of Representatives was unfriendly and the Senate not altogether cordial in its support. It, however, indicated progress on the road towards resumption.

In the following September occurred the crisis of 1873, to be followed by a season of severe distress, continuing, with greater or less intensity, for nearly six years. This disturbance in financial

conditions was, in many respects, the most severe, and, in nearly all respects, the most thoroughly characteristic, of the recurring periods of panic and depression which must occur in any progressive community. The starting-point of the difficulty was the great progress made in the increase of equipment for production. This resulted in overaction and speculation, and in the multiplication of improvident and unwise investments. A serious crash resulted. Of course prices and wages fell, and the hopes of the speculator were rudely shattered. If it was difficult to secure resumption before this decided check in the onward march of prosperity, it was fourfold more difficult thereafter.

Business interests had come to rely upon the Treasury and upon Congress for the creation of conditions which would make their investments profitable, and thus, in great degree, had neglected the more safe and certain way of individual wisdom and economy in the adjustment of expenses and the making of investments. Whenever there was a stringency it had become the custom to rely upon the purchase of outstanding bonds, or, indeed, upon the issuance of greenbacks which, according to the opinion of the Senate Committee, there was no right to issue. The demand for aid from the Treasury was almost overwhelming in the autumn of 1873. The Secretary purchased \$13,000,000 of bonds, and also issued greenbacks which had been withdrawn, so that by January,

1874, \$26,000,000 of the \$44,000,000 which had been retired during the incumbency of Secretary McCulloch were again in circulation.

The apparent obstacles in the way of resumption were never greater. Under the stimulus of extensive railway building, and other enterprises looking to the development of the country, very large purchases had been made abroad, especially during the preceding five years. The average excess of imports over exports during this period, including shipments of specie, had been more than \$40,000,000 per year. In addition to this very considerable drain upon our resources, merely to pay balances in trade, very large amounts were paid for the annually increasing interest charges upon indebtedness, public and private, held abroad, the principal of which by this time was estimated at \$1,500,000,000. There is still further to be taken into account the large amount paid to foreigners for the carrying trade.

One result of the unfavorable balance of exchange was the continued premium on gold, which, even after the Resumption Act of 1875, rose in value. For the six years from 1871 to 1876, inclusive, the price continued stubbornly at almost the same figure, the average annual valuation for the period not varying more than 2.8 per cent.; the lowest average, that for 1872, being 111.8, and the highest, that for 1873, being 114.6. It is not difficult to ascertain the cause of this. Other nations were seeking to increase their gold supply, some as the

result of the adoption of a gold standard where a silver or bimetallic standard had existed before. There was a falling-off in the world's product as compared with the two decades ending in 1860 and 1870, and in the scramble to increase gold reserves a country having an unfavorable balance of trade, and a currency made up of irredeemable paper, was subjected to inevitable disadvantages. Yet the popular sentiment, which had already crystallized in opposition to contraction, was strengthened by the untoward trend of events. On the meeting of Congress many propositions were embodied in bills and resolutions, nearly all of which looked toward a further inflation of the currency.

But for the courage of Senator Sherman, and other men who saw that the difficulty did not arise from scarcity of the currency, and that the industrial depression had been caused rather by the redundancy than by the scarcity of our monetary supply, serious blunders would have been made, and the unfortunate financial and commercial situation would have been very seriously aggravated. Notwithstanding the great number of bills which were pending, looking toward increase of the currency, a majority of the Senate Finance Committee, through Mr. Sherman, presented a resolution, in the month of December, 1873, in these words: "Resolved, that it is the duty of Congress during its present session, to adopt definite measures to redeem the pledge made in the Act, approved March 18, 1869, entitled 'An Act to strengthen

the Public Credit,' . . . and the Committee on Finance is directed to report to the Senate, at as early a day as practicable, such measures as will not only redeem this pledge of the public faith, but will also furnish a currency of uniform value, always redeemable in gold or its equivalent, etc." A member of the committee offered a minority report recommending a substitute, directing the committee to report to the Senate "such measures as will restore commercial confidence and give stability and elasticity to the circulating medium . . . by providing for an increase of currency of \$100,000,000, including the \$44,000,000 reserved, etc."

After these reports Mr. Sherman made a speech, on the 16th of January, 1874, which was one of his greatest efforts. Its tone was one of fault-finding with the Senate because of its omission to comply with the pledge of 1869. He never before had so assumed to be the mentor of his fellow senators. He complained of the reissue of greenbacks by the Treasury Department, and said that when the Act of March 18, 1869, was passed no one dreamed that there existed a power to reissue the \$44,000,000 in the Treasury. He combated the argument for waiting until more prosperous times, and in the strongest language called attention to the delinquency of the Senate in failing to take action looking towards resumption. He said, with irony: "We are all for specie payments sometime, maybe. We are not in favor of it in times of plenty. We are



not in favor of it in times of great prosperity. We are not in favor of it in view of the panic. When shall we be in favor of it? That is the question that senators ought to be prepared to answer to the business men of this country." He again repeated his views expressed during preceding Congresses, asserting that we should have made the greenbacks exchangeable for bonds, and the Refunding Bill should have been passed. "If," he said, "in the first session of Congress during Andrew Johnson's administration we had passed a Funding Bill authorizing any holder of any form of government security to convert it into a five per cent. bond, all the evils that have flowed out of our disordered currency would have passed away; the questions that afterward were raised to endanger the public credit never would have arisen; all this long agony of endeavoring to do what we have promised to do, and never performing it, would have been avoided."

His remarks were in much the same line as on the same day, January 16, of the previous year. He expressed even less hopefulness of success except by his favorite plan, of making the legal tenders exchangeable for bonds, and, even more clearly, the difficulty of acting counter to public opinion. In referring to the plan for the retirement of United States notes, he said: "In the first place, this plan, while it operates, does so with such severity as, in a popular government like ours, to cause its suspension and repeal. Undoubtedly the most

certain way to reach specie payments is by retiring the notes that are dishonored, paying them off and taking them out of circulation. But the trouble is, the process of contraction is itself so severe upon the ordinary current business of the country that the people will not stand it; and in this country the people rule." On the same subject he said: "Mr. President, there are some objections, of a popular character, made to specie payments which I think I ought to answer. In a popular government like ours even an unfounded fear ought not to go unheeded. Warnings are uttered; a great alarm is raised about every measure that tends toward specie payments."

In answering the argument that more money was needed he replied: "They say: 'We want more money.' Well, in the sense in which money means capital, I think we all want more money. In the sense in which money is used as a mere medium of exchange, to measure value, to pass from hand to hand, to facilitate commercial transactions, the only test and measure of the amount necessary is the amount which can be maintained at the specie standard; no other." Speaking of the public faith he said:

"Senators, we have now arrived at a stage of our history, where, if we will obey the law and keep the public faith, we shall surely come to that safety and prosperity which rest upon the universal standard of value, — when industry will be rewarded, and not cheated by the depreciation of paper money. If, on the other hand, you

will enter again into a depreciation of your paper money, adopting the cry of expansion, 'more money,' you will surely travel a road that many nations have traveled before, and which leads to bankruptcy and repudiation. . . . But there is one other reason why all these schemes for more paper money ought not even to be debated here. An increase of paper money beyond \$400,000,000 would be a clear and palpable violation of the public faith. . . . I again appeal to the Senate to now firmly take its stand against any inflation of paper money, under any circumstances, under any provocation, or on any plea. . . . Sir, I have been many years here and in the other House, through long and troublesome controversies, during peace and war, and I for one desire to see the work of our generation crowned by the greatest of civic triumphs, the fulfillment of every promise, and to behold the nation free from all dishonor, its promises good, its credit untarnished, its wealth and power increasing and expanding."

The history of the resolution referred to, offered in December, 1873, shows how extremely difficult it was to enact judicious financial legislation at that time. It was introduced as a direction to report a bill which would hasten specie payments. A measure passed both Houses in a form to postpone them indefinitely. The Finance Committee of the Senate waited until March 23, 1874, before reporting, and then presented a measure which legalized the reissue of \$26,000,000 of greenbacks, with a view to making the total amount \$382,000,000. In the discussion which followed, radical amendments were offered, and some were passed, among which was one enlarging the maximum amount by \$18,000,-



*U. S. Grant*



000 to \$400,000,000. In its final shape it also authorized additional national bank notes to the amount of \$46,000,000. It was clearly an inflation measure. When it came to a final vote, Mr. Sherman voted in the negative. It was taken up soon after in the House of Representatives, and, after a brief debate, was passed. It was evident that the prevalent sentiment there was for additional currency, to which object all other features of the existing fiscal system were made subordinate. Fortunately, President Grant vetoed this measure, on the 22d of April, 1874. He called attention to previous utterances in his annual message of December, 1869, and to Acts of Congress, which were inconsistent with such a policy as that embodied in the bill.

Another bill, originating in the House, provided for free banking. Mr. Sherman's committee in the Senate amended this, obligating the Treasury to redeem legal tenders in gold, or five per cent. bonds, on and after January 1, 1877. On discussion in the Senate, however, all provisions for the redemption of United States notes were stricken out. On its final passage, the bill contained no reference to redemption; but fixed the aggregate of United States notes at \$382,000,000, and provision was made for free banking.

The severe depression of business continued in December, 1874, when Congress met. But an unexpected event had occurred which impressed upon the Republican leaders the imperative necessity of

giving attention to specie payments, — namely, the election, in the preceding autumn, of a Democratic majority in the House of Representatives. On the following 4th of March, the Republicans, for the first time in fourteen years, would be in the minority in the lower branch of Congress. After much vacillation and great difference of opinion, the mouth-pieces of business interests of the country had reached the conviction that the only proper method by which to restore and maintain wholesome conditions was the restoration of specie payments. As formerly, the Senate took the initiative and a committee was appointed to formulate a Resumption Bill, with Mr. Sherman as chairman, with whom were associated Messrs. Allison, Boutwell, Conkling, Edmunds, Ferry, Frelinghuysen, Howe, Logan, Morton, and Sargent. In this committee an apparently hopeless difference of opinion developed at the very outset. Every plan for resumption was represented. There were those who favored the absolute withdrawal of the greenbacks. Some believed in a policy of drifting. On the other hand, others were advocates of inflation. There was, however, a disposition on the part of all to agree upon something, with the realization that after the following 4th of March no measure put forward by the Republican party could have any prospect of success. An agreement was also aided by the fact that some of the senators who had favored inflation had done so out of deference to their constituents, while really believing that resumption was highly desirable.



It was the short session, and the committee of Republican senators, realizing that time was pressing, acted with a degree of promptness very strikingly in contrast with their previous policy of delay. No two adhered to the same plan of procedure, but never did the ability to gain results by concession — a qualification which Mr. Sherman preëminently possessed — appear more prominently than at this time. A measure was at last agreed on, although there was a distinct understanding that in one most vital particular, viz., the reissue of the retired greenbacks, the bill should not be regarded as a committal. By the first section, silver coins were substituted for the outstanding fractional currency. To this there was no objection, because every one was disgusted with the “shinplasters,” as the fractional currency was called, and the change to bright coins was an agreeable one. The second section, as a concession to the gold-mining states, repealed the mint-charge of one fifth of one per cent. for converting gold bullion into coin, and made its coinage free. All restrictions upon the circulation of national banking associations were repealed. The limit, first placed at \$300,000,000, and afterwards at \$354,000,000, was removed; also the limit of \$1,000,000 for one bank. It was provided that the amount of greenbacks, then \$382,000,000, should be ultimately reduced to \$300,000,000, the reduction keeping pace with the increase of national bank notes. For every \$100 of national bank notes issued, \$80 of greenbacks should be redeemed, until the amount

should be reduced to \$300,000,000. The reason for fixing the figure at \$80 was that the statutes relating to the banks required the maintenance in reserve of at least 25 per cent. in certain large cities, and 15 per cent. elsewhere, of the amount of its circulating notes. As an average of 20 per cent. would thus be required for reserves by the banks in their vaults, \$80,000,000 of greenbacks would have an efficiency as a circulating medium equal to \$100,000,000 of national bank notes.

The date for resumption was fixed for January 1, 1879, approximately four years. No option to the Treasury to pay in United States bonds, as in previous bills, was included in this measure. Coin, not gold, was the term used for the money of redemption, and in order to provide for the execution of the law, the Secretary of the Treasury was authorized to use any surplus revenues in the Treasury, not otherwise appropriated, and to sell at not less than par, in coin, either of the descriptions of bonds provided for in the Funding Act of July 14, 1870, viz.: 5% bonds running ten years,  $4\frac{1}{2}\%$  bonds running fifteen years, and 4% bonds running thirty years. It was held, in the future administration of the law, that the authority granted by the Resumption Act to issue these bonds was entirely without restriction as to the amount which might be issued, and in this respect it differed from the Funding Act referred to.

The Bill was reported to the Senate by Mr. Sherman on the 21st of December, 1874, and con-

sidered on the following day. Mr. Sherman only briefly explained its provisions at first, but later occupied a considerable time in answering questions and objections. On the subject of the reissue of greenbacks paid into the Treasury he said:

“At any rate the question is not material until the whole amount of \$82,000,000 is reduced. . . . I say frankly that we do not propose to decide that question in this bill. . . . The process (i. e., of reduction) must go on *pari passu* until the amount of legal-tender notes is reduced to \$300,000,000. Before that time will probably arrive, in the course of human affairs, at least one or two Congresses will have met and disappeared, and we may leave to the future these questions that tend to divide us and distract us, rather than undertake to thrust them into this bill, and thus divide us and prevent us from doing something in the direction at which we aim. . . . In supporting a bill of this kind I do not meet all possible questions that may arise in its construction, and no human mind could do it. I know this, and upon this rock I stand: that this bill has provisions in it which tend to accomplish the purpose which I have so diligently sought. and I will not seek to obstruct its passage or defeat it by thrusting into it doubtful questions of law or public policy which may tend to defeat it. I take this bill, not as the bill that I should propose myself, a bill which itself surrenders many of my convictions as to the means to be employed to accomplish the particular purpose designed, but I take it because I see that every provision in it tends to the object sought.”

Senator Schurz, one of the strongest friends of resumption, declared his intention to vote for it, because it contained a pledge to bind all its supporters as to their future action, but not because

he believed that with its present machinery it would assure the desired result.

The vote in the Senate was practically on party lines. After some amendments had been voted down, the Bill was passed by 32 to 14, no Democrat voting for it, and two Republicans, Sprague and Tipton, voting against it.

So absorbingly interested was Senator Sherman in this measure, and so anxious to have the Bill absolutely effective and its phraseology such as to require no further amendment, that he afterwards said, in speaking of it: "We were careful to select phraseology so comprehensive that all the resources and credit of the government were pledged to redeem the notes of the United States, as fully and completely as our Revolutionary fathers pledged to each other their lives, their fortunes, and their sacred honor in support of the Declaration of American Independence."

The measure passed the House, practically without debate, on the 7th of January, 1875, by a vote of 136 to 98, and received the approval of President Grant, January 14. It would be difficult to find a more striking illustration of party unanimity and strength than the passage of this measure. For years Congress had been considering the subject. Irreconcilable differences of opinion had developed, and either no effective legislation had been enacted, or legislation which might better have been omitted. Now, after the sting of defeat in the preceding election, in an unprecedentedly short

time, a bill was placed on the statute-books which at last declared for specie payment at a specified time, and under a definite plan.

Popular government in the United States has been characterized by a number of compromises which have settled troublesome questions or averted immediate difficulties. But it is no exaggeration to say that among all compromises, whether political or financial, none embodied so many discordant opinions or gave heed to so many conflicting interests as the Resumption Act. In response to a demand for a contraction of legal tenders a provision was made for their reduction, while those who desired an increase of currency were gratified by the removal of limitations upon the circulation of the national banks. As regards a reserve to redeem the notes, the Secretary of the Treasury was authorized to use surplus revenues from time to time, and to sell bonds; but, on the other hand, no provision was made for a permanent specie reserve, an essential requirement, action upon which was not taken for a quarter of a century. A specific date was fixed for resumption, but those who had believed that the problem was a commercial one and would adjust itself in time, as well as those who demanded that the approach to specie payment should be gradual, in order that the debtor might not suffer, were gratified by the fixing of a date four years hence. Those who opposed resumption could hope for repeal during this interval. The measure was not less signi-

ficient in regard to subjects upon which it was silent than in relation to those which were definitely treated. The future controversy over the greater use of silver could already be anticipated by careful observers, but coin only, not gold, was specified in the law. The much-debated question of the right to reissue greenbacks lodged in the Treasury received no answer in the Bill, and it was the agreement of those who had framed it that no unnecessary reference should be made to this very important feature in any plan of resumption.

It should be borne in mind that the provisions of the law had to be enforced without further aid from Congress. At no time between January 7, 1875, and January 1, 1879, the date for the resumption of specie payments, was there a majority friendly to the Act in both Houses of Congress. On one occasion, as will be pointed out, a Bill for its repeal passed the House. An unfriendly sentiment very soon developed against it, proceeding not merely from inflationists, but from some hard-money men. The criticisms made upon the measure by the friends of resumption were that the date fixed was too remote, that the Bill was a political trick, passed with a full realization that before the 1st of January, 1879, another Congress could repeal or nullify it in some way. Another objection was that the means provided in the way of borrowing and accumulation of the revenue would prove inadequate, that more gold would be required than could possibly be secured. Others

complained that the authorization of an increase in the circulation of the national banks was granting to those institutions control of the currency and an undue degree of favor. Some of the strongest advocates of resumption maintained that the bill was essentially defective because there was no provision for the cancellation of legal tenders, when redeemed.

In response to all these arguments, it is sufficient to answer that the purpose of the Bill was resumption, and that the means adopted were the best which could be obtained from a Congress, which, if not hostile, was absolutely lacking in cordiality for the measure. A majority of the members were more friendly to legislation which would make some form of money more plentiful than they were to that which involved those sacrifices essential to secure specie payment. Then, too, the result justified the means employed, for it proved a magnificent success.



## XII

### SECRETARY OF THE TREASURY. — REFUNDING. — SILVER LEGISLATION. — RESUMPTION

THE contest for resumption was by no means ended. The first prominent echo of the controversy was in the Ohio campaign of 1875, where the issues were clearly defined between resumption and payment of bonds in gold on the one side, and the indefinite continuance of the greenback and its unlimited use for the payment of debts, on the other. For a state campaign, it attracted almost unequalled attention. The Democratic platform declared that the policy adopted had already brought disaster to the business of the country and threatened general bankruptcy. It demanded that this policy be abandoned and attacked the national banks as a dangerous monopoly. There was an unprecedented vote, more than sixty thousand greater than at the preceding presidential election. Governor Hayes, the Republican candidate, was elected by a plurality barely in excess of five thousand.

Mr. Sherman took a very active part in this canvass, and both he and Governor Hayes maintained a bold stand for sound money. He continued his advocacy of a specie standard in the

Senate, especially on the occasion of the presentation of the resolutions of the New York Chamber of Commerce in favor of resumption, on the 6th of March, 1876.

The triumph of Mr. Hayes in the gubernatorial contest in Ohio caused him to be prominently named for the presidency in 1876, though in the National Republican Convention of that year his support at the beginning was not large outside of his own state. The feeling against Mr. Blaine, — who was far in the lead in the convention, — on the part of Mr. Conkling and others, together with the importance of the electoral vote of Ohio and the close vote in the state at the preceding election, furnished potent reasons, however, for the nomination of Mr. Hayes, and on the seventh ballot he was chosen. In the ensuing contest for election Mr. Sherman again took part with more activity than ever before, partly because of his friendliness for Mr. Hayes, whom he had supported in the convention, and partly because the issues of the campaign had to do with questions in which he had taken a leading part.

The Democratic National Convention declared against the Resumption Act. The platform said: "We denounce the financial imbecility and immorality of that party which, during eleven years of peace, has made no advance towards resumption, no preparation for resumption, but, instead, has obstructed resumption by wasting our resources and exhausting all our surplus income; and, while

annually professing to intend a speedy return to specie payments, has annually enacted fresh hindrances thereto. As such hindrance we denounce the Resumption Clause of the Act of 1875, and we here demand its repeal."

Mr. Sherman took a very strong partisan stand in this campaign, even more pronounced than in the days of reconstruction. In a speech at Marietta, Ohio, on the 12th of August, 1876, he said:

"The real question is, shall the Democratic party be restored to power again, not with new principles and leaders, but the Democratic party composed of the same elements as before the war? Sixteen years have passed away, and yet that party in soul, purpose, and policy is the same as when at the close of Buchanan's term it left the country crumbling into anarchy. . . . What will be the result of the restoration of the Democratic party to power? The first result will be a severe check to the growth of the Union sentiment — love of the Union. . . . If they succeed they will have accomplished by a restoration what they sought to accomplish by a revolution. How will it read in history if it is recorded that the American people took up arms and overcame the Democratic party in order to save their Union, and, when it was saved, restored the same party and the same men to power again?"

Such a restoration he compared to that of Charles the Second. He laid much stress upon the presentation of claims against the government by those who had been engaged in the late rebellion, and cited two bills, introduced in the House of Representatives, as showing the danger which would result if Tilden should be elected and the Demo-

crats come into power. He called attention to the danger to the colored race in the South; to the election frauds in New York; the barbarities of the Ku-Klux and the White League; and the inconsistency of the Democratic party as to the Resumption Act.

In speaking of the administration of General Grant he said:

“Conscious that their only hope lay in blackening the character and conduct of General Grant and his appointees, the Democratic majority organized the whole House into committees of investigation. They have explored every department, bureau, and office of the government. They have called as witnesses penitentiary convicts and the insane from the hospital. They have seized telegrams by the wholesale, and examined private books and papers. They have sought to disclose Cabinet secrets, which have always been held inviolable. They have employed detectives to watch accused persons. They have examined, in secret, witnesses without number to sustain certain secret accusations, and have given the accused no benefit of cross-examination, no opportunity to face their accusers, no specification of the charges against them, and what is the result of it all? . . . They denounced the *Credit Mobilier* and found that their candidate for President was its confidential lawyer.”

The result of the election was in doubt four months and caused great excitement in the country and a practical suspension of all public and private enterprise. President Grant, in view of the accusations of fraud, requested a committee of Republicans to go to New Orleans to witness the canvassing of the vote of Louisiana. Mr. Sherman was

asked to be one of the committee. He promptly complied with the request, in November, 1876, and spent a considerable amount of time in the state. A similar delegation went at the invitation of the National Democratic Committee. On the request of the Board of Returning-officers of Louisiana, ten gentlemen, five from each party, were chosen to witness the count. Mr. Sherman was one of this committee of ten. He was at all times confident that such an amount of fraud had been perpetrated that the vote of numerous parishes should be thrown out, and believed that the action of the Board of Returning-officers, in giving certificates of election to the Republican electors, was fair and honest.

It was evident that there would be trouble in the counting of the electoral vote. Mr. Hayes and others maintained that the Vice-President alone had the authority to decide what votes should be counted. In order to obtain a prompt settlement of disputed questions, of a nature to command the confidence of the people, a bill creating an Electoral Commission of fifteen members was introduced in the Senate by Mr. Edmunds of Vermont. Very prominent Republicans opposed it, among whom were Mr. Morton and Mr. Blaine, the latter pointing out the danger of leaving to one person, the non-partisan member of the commission, the right to determine how the vote of a state should be counted, and thus decide who should be President. Mr. Sherman thought it was extra-constitutional, as did many others, and did not vote for it. The bill be-

came a law. The result is so generally known that it is not necessary to detail it here.

In February, 1877, after the decision of the Electoral Commission, President Hayes strongly urged Mr. Sherman to become Secretary of the Treasury. Mr. Sherman, after he became assured that the legislature at Columbus would elect a Republican in his place in the Senate, accepted the proffered position.

The two great tasks before him, as Secretary of the Treasury, were resumption and the refunding of the public debt. For the administrative management of the Treasury he possessed exceptional qualifications; also, he found the Treasury, as a department, in excellent working order. Most of the subordinates who had served under preceding administrations were retained. They were men of large experience, who labored together harmoniously and efficiently. During the first few months of his service as Secretary of the Treasury three important steps were taken, — the beginning of practical preparation for resumption; the refunding of bonds at lower rates of interest; and the inauguration of measures for the sale of bonds directly to the people, with a view to avoiding the usual method of dealing with syndicates.

When he became Secretary of the Treasury, in March, 1877, a contract was in force, made on the 24th of August preceding, providing for the sale of \$300,000,000 of four and one half per cent. bonds payable after fifteen years. Secretary Lot M.

Morrill had made this contract with a syndicate of bankers representing American and foreign interests. It was anticipated that the larger share of the bonds to be sold under the contract would be taken in Europe. There was an absolute agreement to dispose of \$40,000,000 merely, but with an option to take the remaining \$260,000,000. The commission to be paid was one half of one per cent. Five-twenty bonds as well as coin might be received in payment of subscriptions for these bonds. It was contemplated that all the proceeds should be applied in payment of outstanding indebtedness, and no part for the accumulation of a fund for resumption.

Barely a month after the beginning of the Hayes administration, on the 6th of April, 1877, Mr. Sherman notified a representative of the syndicate that he desired to dispose of four per cent. bonds rather than those drawing four and one half per cent. Accordingly several changes were made and a new contract entered into on the 9th of the following June. First: the total sale of the four and one half per cent. bonds was reduced from \$300,000,000 to \$200,000,000. The object in withholding \$100,000,000 from sale was to be ready for all contingencies. In case there should be difficulty in accomplishing resumption, a balance of \$100,000,000 of bonds drawing four and one half per cent., the higher rate of interest, would be available for sale to secure a sufficient quantity of gold for resumption. Second: agreement was made for the sale of \$25,000,000 of four per cents. with the option



to the syndicate to take the unissued balance of the four per cents at the same rate of commission, one half of one per cent. Of this \$25,000,000, not to exceed \$5,000,000 should be sold for resumption purposes. Third: the syndicate agreed for a period of thirty days to offer the four per cent. bonds to the people of the United States. The object in compelling the syndicate to offer bonds to the public was twofold: first, to widen the market for the bonds; and, second, to educate the people to purchase them more directly from the government, so that bonds could be sold without the intervention of a syndicate.

The syndicate, on the 14th of June, gave notice of the proposed sale to the people, by general advertisement, and as a result, within thirty days \$67,600,000 of the four per cent. bonds were taken in the United States, as against \$10,200,000 in Europe. Since the 1st of March there had also been a sale of \$135,000,000 of the four and one half per cents. By applying the proceeds to the redemption of six per cent. bonds the aggregate annual reduction of interest by these sales, between March 1 and July 16, 1877, was \$3,581,000. The sale of bonds for refunding did not amount to any considerable sum in the latter portion of the year 1877. The continuance of the silver agitation, the presentation of bills to repeal the Resumption Act, — one of which passed the House, — and especially the railway riots, in July and August, which assumed a seriousness never before equaled in labor disturbances

in the country, — all tended to cause distrust at home and abroad, and after September sales were practically suspended.

Mr. Sherman was asked, in June, 1877, for assurance that the bonds would be paid in gold, since payment in silver was feared. The members of the syndicate urged Mr. Sherman to make a public declaration to that effect. He, at first, in a letter addressed to Mr. Belmont on the 16th of June, declined to do this, stating that “nothing would so tend to disturb this result” — that is, the rightful settlement of the question — “as unauthorized ‘theses,’ or dogma, by an executive officer upon a question purely legislative or judicial.” In the same letter, however, he expressed his opinion that the bonds would be paid, principal and interest, in gold coin, and, in a letter three days later, addressed to Mr. Francis O. French of New York, he wrote:

“Under laws now in force there is no coin issued or issuable in which the principal of the four per cent. bonds is redeemable, or the interest payable, except the gold coins of the United States of the standard value fixed by laws in force on the 14th of July, 1870, when the bonds were authorized. The government exacts, in exchange for these bonds, payment at par in such gold coin, and it is not to be anticipated that any future legislation of Congress, or any action of any department of the government, would sanction or tolerate the redemption of the principal of these bonds, or the payment of the interest thereon, in coin of less value than the coin authorized by law at the time of the issue of the bonds. . . . The essential element of *good faith* in preserving the equality in value

between the coinage in which the government receives, and that in which it pays these bonds, will be sacredly observed by the government and the people of the United States, whatever may be the system of coinage which the general policy of the nation may at any time adopt."

When Congress met on October 15, 1877, — having been called together because of the failure to make appropriations for the support of the army at the preceding regular session, — it was evident that most of the members were much more interested in the money question than in the maintenance of the army, and that a considerable majority in both Houses were opposed to the financial policy of the administration. Four bills were introduced in the Senate and fourteen in the House for the repeal of the Resumption Act.

On the 5th of November a bill, introduced in the House by Mr. Bland of Missouri, providing for the free coinage of silver dollars of  $412\frac{1}{2}$  grains, — that is, at a ratio to gold of 16 to 1, — and restoring their legal-tender character, was taken up, on a motion to suspend the rules, and was passed by the overwhelming vote of 163 to 34. The inflation movement at this time was very strong. The silver agitation was largely a manifestation of the demand for more money, reinforced by the potent silver-mining interests of the country, and furnished with arguments by the prior use of silver concurrently with gold and the uniform use of the word "coin" in laws relating to the obligations of the government. Also the passage of the Demonetization

Act of 1873, without any considerable discussion, was made a basis for the accusation that it was surreptitiously passed.

Among members of prominence who voted for the Bland Bill were numbered such men as John G. Carlisle and Hilary A. Herbert, afterwards members of President Cleveland's Cabinet; J. G. Cannon, later Speaker of the House of Representatives; J. D. Cox, who had been Secretary of the Interior in Grant's Cabinet; S. S. Cox, a stalwart opponent of paper money inflation, in 1862; and William McKinley, afterwards President of the United States. Among those voting in the negative were Messrs. Reed and Frye of Maine, Blair of New Hampshire, Republicans; and Alexander H. Stephens of Georgia, A. S. Hewitt and Fernando Wood of New York, Democrats. General Garfield, afterwards President, and Eugene Hale of Maine were absent when the vote was taken, but were opposed to the proposed legislation.

An examination of contemporaneous facts often proves that opinions entertained in past years, which, when viewed in the light of subsequent events, or upon more careful consideration, are regarded as delusions, were not entirely baseless. An argument for the more extended use of silver was found at that time in its employment by France for three quarters of a century, on a ratio to gold of  $15\frac{1}{2}$  to 1, and its use with gold in many of the more advanced nations. There was also a strong argument based upon conditions relating to the pro-

duction of gold and silver. After the year 1870 the world's annual production of gold very materially declined, and did not reach that of 1870 and prior years until 1891. In the United States the average figures for twenty years, until and including 1870, were not again reached until 1896. Leading geologists urged that the gold-fields in which placer mining had been in vogue were becoming exhausted, and that in the future the annual accretion to the existing supply would be greatly diminished. This view seems to have been accepted by many intelligent students of the subject during the period of diminished production after 1870.

In the great advance of commerce and industry in the first half of the nineteenth century, the production of precious metals did not keep pace with the increasing demands for metallic money. Later the discovery of gold in California in 1847, and in Australia in 1851, exercised a marked influence upon prices and caused the more extensive use of that metal as money. It was maintained that since 1870 the scarcity of gold had created a condition similar to that prior to 1851, when, as it was alleged, the scant supply of both metals had injuriously affected prices and hampered industry. The rehabilitation of silver, it was argued, would remedy this.

Whatever the argument for bimetallism might be, however, the arguments against it were gaining ground and seemed sure of ultimate acceptance. These were that bimetallism, as a principle, was

impracticable, because under modern commercial conditions, with readier means of transportation and with markets in which variations in the relative value of the two metals would be emphasized upon the slightest difference in quotations, the metal overvalued in coinage would be used for money, to the exclusion of the other. Thus it was impossible to join the two metals together and give to each absolutely free coinage. Then, too, commerce had come to demand in all its transactions the simplest and most convenient instruments; and in a comparison of the relative merits of gold and silver, gold, by reason of its superior lightness, was sure to be preferred. Moreover, substitutes for metallic or other forms of money were annually assuming a prominence unknown in previous years.

The downward tendency of prices did not cease until 1879, and so strong was the sentiment for silver coinage that President Hayes, in his message of 1877, had recommended "the renewal of the silver dollar as an element in our specie currency, endowed by legislation with the quality of legal tender to a greater or less extent." At the same time he insisted upon payment of the public debt in gold, and said: "It is far better to pay these bonds in that coin [gold] than to seem to take advantage of the unforeseen fall in silver bullion to pay in a new issue of silver coin thus made so much less valuable."

In his first annual report in December, 1877, Secretary Sherman discussed the silver question at some length, and advocated the use of silver as

convenient and desirable, but only in case that it should be kept on a par with gold. He said: "With such legislative provision as will maintain its current value at par with gold its issue is respectfully recommended." He reviewed the changes in legislation relating to the ratio of silver to gold, — first 15 to 1; then, in 1837, 16 to 1; then, in 1853, the coinage of fractional silver at the mint at a ratio of 14.8 to 1.

The average intrinsic value of the gold and silver in a dollar in the year 1877 was in the proportion of 100 to 92, and silver was worth less at the close of the year. It was the favorite argument of those who advocated the remonetization of silver that unlimited free coinage would speedily obliterate the difference in the market value of the metal in the two dollars. Sherman expressed himself strongly against this prevalent opinion of the so-called bimetallists, and said: "If the slight error in the ratio of 1792 prevented gold from entering into circulation for forty-five years, and the slight error in 1837 brought gold into circulation and banished silver until 1853, how much more certainly will an error now of 9 % cause gold to be exported, and silver to become the sole standard of value? Is it worth while to travel again the round of errors, when experience has demonstrated that both metals can only be maintained in circulation together by adhering to the policy of 1853?" He took up and answered the current arguments in favor of free silver, and gave, in substance, all the



reasons employed in succeeding years in the debates upon the subject. He referred to the provision of the Act of February, 1862, by which customs duties were pledged in payment of the public debt, and to the uniform custom of collecting these in gold coin. Free coinage of silver would violate this pledge. In regard to an international convention he said: "Even such a convention, while it might check the fall of silver, could not prevent the operation of that higher law which places the market value of silver above human control." He concluded by saying: "Issued upon the conditions here stated, the Secretary is of the opinion that the silver dollar will be a great public advantage, but that if issued without limit, upon the demand of the owners of silver bullion, it will be a great public injury." He referred to his letters in June, assuring the payment of bonds in gold, and said: "The Secretary earnestly urges Congress to give its sanction to this assurance." The passage of the Bland-Allison Silver Bill, and the Matthews Resolution were the response.

The passage of the Bland Bill in the House gave concrete basis for fears which had been entertained during preceding months of the year, and the sales of bonds either for refunding or resumption were brought to a rude stop. Outstanding four per cent. bonds dropped to 99, and even lower.

Secretary Sherman used all possible influence with his late associates in the Senate to prevent this measure from passing that body. He at first expressed absolute confidence that it would not pass

there; then the hope that at least the coinage would be limited, and express provision be made that the public debt should be paid in gold, and that customs duties and interest on the public debt should be paid in that metal. The Senate, on consideration, very materially changed the bill. Senator Allison introduced the amendments and the measure has since been known as the Bland-Allison Bill. These amendments took away the unlimited free coinage feature, which would have allowed the owner of bullion to bring his silver to the mint, and restricted coinage to bullion purchased by the government, the quantity of which should be not less than \$2,000,000 worth nor more than \$4,000,000 worth per month. The measure retained the objectionable feature of the House Bill, in that silver was made legal tender for all debts and dues, public and private. All propositions to increase the quantity of silver in a dollar, so as to make it more nearly conform, in intrinsic value, to the gold dollar, were promptly voted down. There was the usual chimerical provision for an international conference to agree upon the ratio between gold and silver; also a provision for the issuance of certificates, in denominations of not less than ten dollars, to circulate as paper currency, upon a deposit of silver dollars in the Treasury.

Senator Stanley Matthews, Mr. Sherman's successor in the Senate, on the 6th of December, three days after the presentation of Sherman's report containing the request for legislative assurance that

bonds would be paid in gold, introduced a resolution declaring that, under the Act of 1869, to Strengthen the Public Credit, silver, as well as gold, was included under the term "coin," and that, at the option of the government, silver dollars containing  $412\frac{1}{2}$  grains each, might be used as a legal tender in payment of the principal and interest of bonds, and that such payment was not in violation of the public faith, nor in derogation of the rights of the public creditor. Much surprise was expressed that Mr. Matthews, who was supposed to be especially close to the President, and to the Secretary of the Treasury, should have introduced such a resolution; but he called attention to the passage by the legislature of the State of Ohio, at its previous session, of a resolution that "common honesty to the taxpayers, the letter and the spirit of the contract under which the great body of its indebtedness was assumed by the United States, and true financial wisdom, each and all demand the restoration of the silver dollar to its former rank as lawful money." This resolution had received but three negative votes in the Ohio House of Representatives, and but one in the Senate.

Against the Matthews resolution it was contended that not more than eight million silver dollars had been coined, from the very foundation of the government; that most of the existing generation had never seen a silver dollar; that all obligations, payable in coin, had been met by payment in gold; also, that at the time when the resolution was pend-

ing, there was no law providing for the coinage of silver dollars having legal-tender quality.<sup>1</sup> Nevertheless, on the 25th of January, 1878, this concurrent resolution passed the Senate by a vote of nearly two to one, and three days later passed the House by a vote of 189 to 79.

The passage of the Bland-Allison Silver Act of February 28, 1878, exercised a surprisingly insignificant effect upon financial conditions. The amount of silver coinage was limited. The profit from the difference between the bullion value of silver and the par value of the coinage accrued to the government. The enforcement of the law was in the hands of an administration which, it was confidently believed, would coin only the minimum amount prescribed by the Act. Then, too, the tide had turned, and imports of gold exceeded exports. The financial condition of the country was in many ways improving. There were at least hopeful indications of revival. The premium on gold was not appreciably affected; it did not rise one eighth of one per cent. with the news of the passage of the bill over the presidential veto, and declined during the month succeeding. Resumption was too well under way, and the confidence of the people in Secretary Sherman and the administration too well established, to allow this bill to disturb their calculations. The Secretary himself did not fear the

<sup>1</sup> The legal-tender quality of the trade dollars — for sums not in excess of five dollars — was taken away by the resolution of July 22, 1876.

measure, and hardly agreed with the President in his veto message. One reason was that in his efforts in the Senate to obtain a modification of the Bland Bill, he had recognized the force of the silver sentiment and had been willing to make certain concessions.

For some years other factors, which diminished the volume of other kinds of currency, prevented derangement from the execution of the Silver Coinage Act. After the Resumption Act directing the retirement of United States notes to the extent of 80 % of the national bank currency issued, there had been a considerable contraction of the currency. The high price of bonds caused many of the banks to withdraw the whole or a part of their circulation. When that Act was passed in January, 1875, \$352,000,000 of national bank notes were in circulation. Three years later, in 1878, \$74,000,000 had been withdrawn and \$43,000,000 of new notes had been issued, a net decrease of \$31,000,000. Against these \$43,000,000 of national bank notes issued, over \$35,000,000 of greenbacks had been withdrawn under the Resumption Act. As a result there was a decrease of both these kinds of currency and a net contraction of considerably over \$60,000,000. This fact afforded a reason for fixing the amount of greenbacks at a higher figure than was contemplated by the Resumption Act. This was done by the Act of May 31, 1878, already mentioned, which increased the limit of issues from \$300,000,000, the amount to which reduction was

to be made under the Resumption Act, to \$346,681,016.

While the controversy over silver was pending, one of the bills to repeal the Resumption Act passed the House, November 23, 1877, by a vote of 133 to 120. It was taken up in the Senate where a substitute was adopted, by the close vote of 30 to 29, providing that after the passage of the pending bill United States notes should be received the same as coin in payment for four per cent. bonds, and on and after October 1, 1878, they should be receivable for duties on imports. This Bill was involved in a hopeless parliamentary tangle on its return to the House. After several ineffectual attempts it was finally brought up for consideration in February, 1879, after resumption had become an established fact. The sound money sentiment was stronger then, and a motion by Mr. Garfield that the bill with the amendment be laid on the table was adopted by a vote of 141 to 110.

In 1878 bonds were again disposed of on a large scale. Secretary Sherman had given notice to the syndicate that he would terminate its contract, from and after the 26th day of January, 1878, continuing such of its provisions merely as related to the sale of bonds in European markets. A notice to the public was then issued directly from the Treasury Department requesting subscriptions for the four per cent. bonds, redeemable July, 1907, and offering a commission of one quarter of one per cent. on subscriptions of \$1000 and over.

Especial attention was given to the accumulation of a stock of gold for resumption, and, to negotiate a sale of bonds for that purpose, Mr. Sherman went to New York in April, 1878. His first desire was to sell \$50,000,000 of four per cents, but it became apparent they could not readily be disposed of. He then offered to the foreign syndicate four and one half per cent. bonds at 103. This they declined. After some bargaining the syndicate agreed to take these bonds at  $101\frac{1}{2}$ , they to receive one half of one per cent. commission. The local banks offered to give par, but said that in their opinion an offer of 101 ought to be accepted. All installments in payment on these bonds were to be paid prior to the date for resumption, and were to be for resumption purposes only. In the following autumn, influenced partly by a favorable balance of trade, the subscription for the four per cent. bonds appreciably increased. The admission of the Assistant Treasurer of the United States as a member of the Clearing-House, so that only the actual balance of debits would have to be paid over, very materially assisted in resumption. This arrangement diminished greatly the strain upon the currency supply, and thus lessened the demand for gold.

By the date of Mr. Sherman's report of December, 1878, the quantity of bonds sold to accumulate gold for reserve was \$95,500,000, of which \$65,000,000 were four and one half per cent. bonds, and \$30,500,000 four per cent. bonds. The amount of coin available in the Treasury on the preceding 23d



day of November was \$141,888,100. At the date of this report slightly more than \$100,000,000 of four per cent. bonds had been disposed of.

It was the one absorbing desire of Mr. Sherman that resumption might be accomplished. To this end he had bent the best energies of his life. He wrote to an acquaintance in Ohio, who had expressed alarm over the feelings of the people with reference to the financial situation: "The question of resumption is higher than any party obligation." His efforts to this end aroused the most violent opposition, which was visited with especial virulence upon him, personally. The bitter feeling was illustrated by his reception at Toledo, in his own state, in the autumn of 1878. He was announced to speak there and found the hall packed by an unfriendly audience. It is hardly to be wondered at that he was a partisan when such attacks could be made. The leading Democratic journal of the state, in describing the meeting, used the following headlines: "Howled Down. John Sherman's Welcome Home. Turbulent and Riotous Demonstration at His Meeting in Toledo. Men Made Beggars by Him Refuse to Listen to His Defence of the Process, and the Architect of National Ruin Receives a Slight Foretaste of the Hereafter." Mr. Sherman had written out a carefully prepared speech, but, in view of the undue demonstrativeness of the crowd which was confronting him, he changed his plans entirely, indulging in the interlocutory method largely, allowing those who were present to interrupt. The

party committee were so pleased with this address that they chose to adopt it, rather than the written speech, and circulated it widely as a campaign document.

Nor was the opposition manifested in a mere occasional outbreak. The strength of the sentiment for irredeemable paper currency was proved by the rise of the Greenback party, a political organization which relegated to the rear the accepted issues which were regarded as most important by the existing political parties, and ascribed supreme importance to the question of currency. This organization had become prominent in the year 1876, at which time a national convention was held, a platform was framed, and candidates nominated for President and Vice-President, under the official designation of the Independent National party. Its platform alleged that the industries of the people were prostrated, and labor was deprived of its just reward by a ruinous policy which both parties refused to change. The convention demanded the immediate and unconditional repeal of the Resumption Act, and that a currency consisting entirely of United States notes should be issued directly by the government. These notes were to be convertible on demand into obligations bearing a rate of interest not exceeding 3.65%, which obligations on demand could in turn be exchanged for notes. They adopted as the party slogan a quotation from Jefferson that "bank paper must be suppressed and the circulation restored to the nation to whom it belonged." Both

they and many of the later advocates of free silver ridiculed the use of the term "intrinsic value," as applied to gold and silver money, and maintained that the sole ground for the acceptance and circulation of metallic or paper money alike was the stamp of the government.

In the year 1876 this party cast 81,740 votes, having especial strength in the states of Illinois, Indiana, Iowa, Michigan, and Kansas. The name popularly given to it was at first the Greenback party, though later, under a combination with other elements maintaining its essential views, it was known as the Greenback Labor party. Its distinctive principles were afterwards adopted, and its general ideas survived under the name of the Populist, or People's party. The maximum vote of the so-called Greenback party was obtained in the year 1878, when, at the congressional elections, the organization obtained the support of more than a million voters and elected fourteen congressmen. With resumption its strength declined, and at a later time those who had been most active in its support identified themselves with the silver movement. Its fundamental ideas still retained a considerable hold upon the people.

In 1892 the Populist party declaimed against the money power, dwelling upon the demonetization of silver as a vast conspiracy against mankind on the two continents, and added to the principles of the Greenback party government ownership and operation of railways, the telegraph, and the tele-

phone. It also opposed the so-called monopolization of land, and commended to thoughtful consideration the legislative system known as the "initiative and referendum." In that year, for the first time since 1860, a third party assumed such prominence as to carry a state in the presidential contest. Mr. Weaver, their nominee, carried the states of Colorado, Idaho, Kansas, and Nevada, and received an electoral vote in each of the states of North Dakota and Oregon. In 1896 the principles of the Populist party were regarded as so nearly accepted by the Democratic organization that its vote was cast largely with the latter party, although the Populists held a separate convention, indorsing the nomination of the Democrats for the presidency, but making a separate nomination for Vice-President, Thomas E. Watson of Georgia, who received twenty-seven electoral votes.

It must be conceded that the accomplishment of resumption was aided by trade conditions and other circumstances of the weightiest importance. For a long time prior to 1876 there had been an unfavorable balance against the United States in exports and imports of merchandise, and in gold as well. Only three years showed a preponderance of exports of merchandise, and that of a comparatively small amount. In 1876, however, there was a change. The enforced economy which resulted from the commercial depression following the crisis of 1873, and, not less important, the increased equipment for production which was the result of the great

progressive movement prior to that year, made greater exportations necessary, from the standpoint of the consumer, and easier from the standpoint of the producer. The settlement of the adverse balance had been made partly by loans, and partly by exports of gold, which had been very large since 1861. The unfavorable balance in the movement of gold continued until the year 1878, when a change occurred and the product of our mines was retained at home, together with a small balance imported from abroad. The favorable trade balance in merchandise, which had reached nearly \$80,000,000 in 1876, exceeded \$150,000,000 in 1877, \$250,000,000 in 1878, and \$260,000,000 in 1879, the first half of the last-named year, or until December 31, 1878, the day before that fixed for resumption, surpassing all previous favorable records. There were abounding crops at home and a failure over large areas abroad.

All these circumstances were at work when, at the end of December, 1878, there was a readiness for resumption. The premium on gold had steadily declined during the year 1878, and, for some days prior to the end of the year, currency and gold were used together interchangeably. It would, however, be an error to ascribe the prosperity of this time entirely to favorable crops and natural conditions. The recuperative powers of the country were very much stimulated by the prospect of resumption, which gave a more wholesome direction to trade and industry.

Resumption day, which, by reason of the first day of the New Year being Sunday, was the 2d of January, 1879, was viewed with a great deal of apprehension. Over against confident hope there was a lingering fear that unforeseen obstacles might arise. It had been reported, and not denied, that a prominent bank president had said he would give \$50,000 for the privilege of standing first in the line at the Subtreasury to present greenbacks. Rumors were current of a combination to exhaust the gold supply. There were disturbing visions of a long line in Wall Street ready to present their greenbacks in exchange for gold when the doors of the Subtreasury should open with the promise of redemption. When the day came, however, Wall Street and the financial district were adorned with bunting as if a great holiday were being celebrated, or some notable event had given ground for rejoicing. Occasional dispatches were received at the Treasury Department during the day to the effect that all was quiet in New York. These, while they gave some assurance, were not accepted as absolutely conclusive. But at the close of business hours the following dispatch was received: "\$135,000 of notes presented for coin: \$400,000 of gold for notes." This brief message brought to the national capital the glad news that resumption was a triumphant success, for on the decisive day, instead of notes being presented for gold, a greater quantity of gold, or rather of gold certificates, had been presented for notes.

Immediately after resumption a change occurred, not only in the condition of the Treasury but in the financial condition of the country, with which no other single event in our financial history can be compared. It was well described by the Secretary himself, in his report of December, 1879: "The specie standard thus happily secured has given an impetus to all kinds of business. Many industries, greatly depressed since the panic of 1873, have revived, while increased activity has been shown in all branches of production, trade, and commerce. Every preparation for resumption was accompanied with increased business and confidence, and its consummation has been followed by a revival of productive industry unexampled in our previous history."

A most gratifying incident, as a sequel to the resumption of specie payments, was the action of the Chamber of Commerce of New York. Early in 1879 this institution, which had been founded before the Revolution, requested that Mr. Sherman sit for a portrait to be placed on the walls of its chamber. This very complimentary invitation was accepted, and the portrait was placed beside that of Alexander Hamilton, conferring an honor which has been bestowed upon no other of the financiers of the United States. The portrait was painted by Daniel Huntington, president of the Academy of Fine Arts.

In presenting the letter requesting leave to hang the portrait in the chamber, Honorable William



E. Dodge, in addressing Mr. Sherman, said: "You will henceforward be known as Secretary of the Treasury of the United States in the second great epoch of the nation's financial history, as one of the founders of the National Banking Law, as 'restorer of the public credit,' and the successful funder of the national debt. It is the wish of the Chamber of Commerce of the State of New York, as whose representative I appear before you, that your portrait shall be placed side by side with that of Alexander Hamilton, and be commemorative to succeeding generations of the momentous events in which you have taken so conspicuous a part. The earlier and the later period will thus be brought home to the eye and the mind of every beholder."

In nothing were the changed conditions, after resumption, more manifest than in the placing of loans. Almost immediately a circular was issued by the Department offering a four per cent. loan, with a commission of from one eighth to one fourth of one per cent., graded according to the amount subscribed. \$60,000,000 were subscribed for in two weeks. Demands for bonds came from all portions of the country and from Europe. Congress was asked to repeal the requirement for ninety days' notice in calling bonds, but neglected to act. It was extremely inconvenient to wait for the prescribed limit of calls and keep money idle while interest was accruing, both on the old and the new bonds, or else depend upon future subscriptions. If the whole amount subscribed for new bonds had been de-

posited in the Treasury, to await disbursement when the notices matured, there would have been a most disastrous stringency in the money market. This was guarded against by keeping the payments with depositaries until required for redemption of the called bonds.

The rapidity of the calls was so unprecedented that complaints from the London bondholders reached the ear of our consul-general at London, and to his mind assumed such importance that he made a report to the Secretary of State, Mr. Evarts. The dissatisfaction there was coupled with a threat that they would demand payment of called bonds in coin. The movement of merchandise was so strongly in favor of this country that such a demand would have caused little trouble. Then, too, four per cents. were sold in London in such quantity as to prevent embarrassment. Before all five-twenty bonds had been called in, a notice was given that when the balance, amounting to about \$88,000,000, should be called for, the terms of sale of four per cent. bonds would be less favorable to the purchaser. The circular issued on March 4, 1879, concluded: "This notice is given so that all parties wishing to subscribe for consols, upon the terms stated in the circular and contract, may have an opportunity to do so until the five-twenty bonds are called." This, as it were, added fuel to the flames, and there was a still more rapid increase in subscriptions. \$473,000,000 were sold by March 31. Terminable options to the Rothschilds and foreign bankers were closed. By

the 4th of April all of the five-twenties had been called. On the last day of the subscription, under the notice of March 4, telegrams came in such number that it was necessary to make an apportionment among those who desired to purchase.

But even this remarkable achievement was eclipsed after a notice had been given out that bonds would not be sold except at a premium. On the 16th of April an offer was made to dispose of \$150,000,000 of four per cents at one half of one per cent. above par. This was followed by a steady stream of telegrams from New York, on the following day, all desiring to share in the distribution. The final surprise came with a dispatch from the First National Bank of New York, requesting \$190,000,000; \$150,000,000 of four per cent. bonds, and \$40,000,000 of refunding certificates, which, in denominations of ten dollars, had been authorized at four per cent. This amount as transmitted was so vast that it was at first thought to be an error in figures. Secretary Sherman, departing from the conventionalities of official correspondence, immediately sent the following telegram to the bank: "Your telegram covering one hundred and ninety million consols staggers me. . . . What is the matter? Are you all crazy?" It was impossible to apportion to this or to other banks the total amount requested.

When the news of this great rush of subscriptions reached London, Mr. Sherman's agent, Mr. Conant, sent word that the day the bulletin was posted on the stock exchange people were astounded

at the operation. United States bonds rapidly advanced in value.

On the 18th of April a call was made for \$160,000,000 of ten-forty five per cent. bonds, being all of such bonds outstanding except such amount as would be covered by the proceeds of the ten dollar refunding certificates. Three days later the final call was made for outstanding redeemable bonds. The total amount refunded during the first two years and five months of Sherman's incumbency as Secretary of the Treasury was \$845,343,950. The annual interest saved was \$14,290,416.50.

With the restoration of the gold standard applications for bonds came from all parts of the civilized world. Nothing could more emphatically prove the importance of sound money. It would be hard to find a single event in finance which caused a greater difference in the credit and financial standing of a country than the resumption of specie payments in the United States in 1879.

Notwithstanding the magnificent success of funding operations under Secretary Sherman later developments, which none could have foreseen, give some element of alloy to the satisfaction aroused by it, though nothing can detract from the magnitude of the achievement. The credit of the United States improved to such a degree that later it was an easy matter for the government to borrow at rapidly diminishing rates of interest,  $3\frac{3}{4}$ , 3,  $2\frac{1}{2}$ , and finally even at 2 per cent. This reduction was due to a multitude of causes. The availability of

bonds as security for national bank notes will always create a large demand for them. The general tendency, too, was towards lower interest rates on governmental obligations everywhere. Notwithstanding legislation on the silver question, and repeated agitation for legislation still more objectionable, the bonds of the United States were more eagerly taken than those of any other country. Our record in funding a staggering load of obligations, in reducing the aggregate of indebtedness with unparalleled rapidity, and in restoring gold as the standard of value, made a most favorable impression. The general condition of the country was prosperous, and marked by constant growth in the utilization of abounding resources. As a result obligations drawing five and six per cent., and maturing after the close of President Hayes' administration, were continued by the holders, first at  $3\frac{1}{2}$  per cent., and later at 3 per cent.

There was an abundant surplus applicable for paying off these bonds. For eleven years, from 1879 to 1890, there was an excess of revenue over expenditures, unprecedented in the history of any nation. Presidents and Secretaries of the Treasury recommended a reduction of the revenue, but nothing effective or far-reaching was done, and there remained each year a large amount applicable for the extinction of the public debt. For seven years, or until 1886, these bonds which had been extended, and were redeemable at the pleasure of the government, were sufficient to exhaust the amount available for

reduction of the debt, but thereafter the earliest securities which would be redeemable were bonds drawing  $4\frac{1}{2}$  per cent., maturing in 1891, and those drawing 4 per cent., maturing in 1907. By this time both these varieties of bonds were valued at a very considerable premium, those drawing  $4\frac{1}{2}$  per cent. reaching the figure of 114, and those drawing 4 per cent., 129, in the year 1886. In the four years beginning with 1888 over \$50,000,000 was paid in premiums by the government in the purchase of these bonds. If there had been recourse to the shorter term bonds, running ten years, and drawing 5 per cent., they could have been purchased on much more favorable terms. No one, however, could foresee that such a stupendous advance would occur in the credit of the United States. Until resumption was an assured fact it was a task of very considerable difficulty to sell four per cent. bonds. In a few years after resumption the oldest and wealthiest nations of Europe were unable to borrow money at so cheap a rate as this country.

In accomplishing resumption the machinery devised had looked to securing equality between paper money and gold. The maintenance of this equality had been much less regarded, and, after the Silver Bill of 1878, Congress was unwilling to discontinue silver coinage. In his report of 1877 Secretary Sherman had advised a reserve of \$100,000,000 in coin to be used only for the redemption of legal-tender notes. In case of depletion of this reserve notes redeemed were not to be reissued until

it was restored. He had also advised fixing the maximum of legal-tender notes at \$300,000,000. In his report of 1878, after the amount of greenbacks had been fixed at \$346,681,016, he again called attention to the necessity of a reserve, and stated that it had become necessary to increase the amount of coin in the Treasury to 40% of the outstanding legal tenders, or approximately \$138,000,000. In this report he asserted the right to sell bonds for maintenance of the parity between gold and paper, after, as well as before, resumption. This method, as outlined by him, was resorted to in the second administration of President Cleveland. Sherman strongly recommended a limitation of \$50,000,000 in the amount of silver dollars to be issued, unless their coinage ratio to gold should be changed.

In his report of 1879 a recommendation was again made by the Secretary to reduce the maximum of greenbacks to \$300,000,000, and he also raised the question whether the legal-tender quality ought not to be taken from them. He called attention to their convenient use; their prompt redemption when presented; and their general employment in business transactions, because of their receipt in payment of customs and other obligations due to the government, and added:

“While these conditions are maintained, the legal-tender clause gives no additional credit or sanction to the notes, but tends to impair confidence and to create fears of over-issue. It would seem, therefore, that now and



during the maintenance of resumption, it is a useless and objectionable assertion of power which Congress might now repeal, on the ground of expediency alone. When it is considered that its constitutionality is seriously contested, and that from its nature it is subject to grave abuse, it would now appear to be wise to withdraw the exercise of such a power, leaving it in reserve to be again resorted to in such a period of war or grave emergency as existed in 1862."

In making this recommendation he did not favor their withdrawal from circulation, but seems to have considered that the removal of the legal-tender quality would tend to prevent derangement of the currency in case over-issue should be advocated or provided for by Act of Congress.

In this report he again recommended a reserve fund, saying: "To avoid all uncertainty it is respectfully recommended that by law the resumption fund be specifically defined and set apart for the redemption of United States notes, and that the notes redeemed shall only be issued in exchange for, or purchase of, coin or bullion." His fear was that the gold in the Treasury might be used in the payment of current expenditures, and the ability promptly to redeem legal tenders might thereby be threatened, — a fear which was afterwards realized. By the date of his report, in December, 1880, gold coin was in general circulation, and he could say, in speaking of gold and United States notes: "A marked preference is shown for notes, owing to their superior convenience in counting and carrying." There was at this time a balance of \$141,000,000 in the Treas-

ury which he regarded as available for redemption. Congress passed no act, at this time, providing for a separate gold reserve, though, strangely enough, in the year 1882, in an act for the extension of the corporate existence of national banking associations, a section was inserted relating to gold certificates, in which express language was used suspending their issue "whenever the amount of gold coin and gold bullion in the Treasury, reserved for the redemption of United States notes, falls below \$100,000,000." By implication this both recognized such a reserve and fixed its amount at \$100,000,000.

The quantity of gold in the Treasury continued to be ample, at one time exceeding \$300,000,000, and no question could be raised as to its sufficiency until the winter of 1892-3. The difficulties of gold redemption at that time will be mentioned later, but in tracing the history of legislation it is well to state that, by the Currency Act of March 14, 1900, a division is made between the funds in the Treasury available for current expenses, and those for redemption of Treasury notes. This reserve consists of \$150,000,000 in gold, and must be restored to that amount by the sale of one year three per cent. bonds whenever it falls below \$100,000,000.

In the management of the Treasury, as a departmental organization, Secretary Sherman showed a skill and ability not surpassed by any one who has ever held the office. He had characteristic methods. Whenever a plurality of questions was presented he gave concentrated attention to the one which was

most important, disposing of that entirely before taking up any other subject, not allowing himself to be distracted. He gave his own immediate attention only to as many questions as he could thoroughly consider and solve, leaving the rest to subordinates, whose capabilities he carefully measured, assigning to them exclusively the great mass of questions where matters of detail only were involved. As in every well-regulated executive department, the necessity of prompt action upon pending problems was strenuously insisted upon. A notable feature of his management of the Treasury was the adoption more nearly of ordinary business methods in dealing with outside parties. Under the Bland-Allison Silver Act of February 28, 1878, it was anticipated that the silver dollars would be coined at the San Francisco Mint, as that was near to the silver-mines, from which very large quantities of bullion were annually shipped to Europe to find a market. The holders of silver bullion combined, and refused to sell silver for a less price than the current quotations in London, plus the freight from London to San Francisco, which would mean a very considerable sum. The Secretary immediately took steps to provide for the coinage of silver at the Philadelphia Mint, where the freight from London would constitute a much smaller item of expense. This prompt action caused the owners of silver to recede from their position, and sell it at the London rate, with a very great saving to the government.

In selling bonds negotiations were entered into

with syndicates of foreign and domestic bankers, as well as national banks, with a view to obtaining the most favorable terms for the United States. Every effort was made to afford the government the benefit of competition among capitalists and investors. Then, when the immediate exigency, provision for resumption, was passed, with the double object of securing the best rates and diffusing the loans popular subscriptions were invited. The result of this comprehensive effort to secure subscriptions from all sources was very favorable to the Treasury. It effected a reduction of the commission paid on most of the bonds from one half to one fourth of one per cent., and greatly increased the number of investors.

At the very beginning of the Hayes administration the management of the custom-houses of the country was called in question. That in New York City was the most severely criticised. There was a prevalent impression that the office had been managed too much along political lines, and with too little regard for the collection of revenue. The leading officials at that port were Chester A. Arthur, collector, afterwards President of the United States; A. B. Cornell, naval officer, later Governor of the State of New York; and George H. Sharpe, surveyor.

It was a matter of common notoriety that, beginning with Jackson's administration, this office had been a source of great political influence. Senator Conkling, when a political opponent was about to

be appointed collector, said that he could not look on with indifference and see an unfriendly choice made, because that official had it in his power to defeat his election.

On April 23, 1877, a commission was appointed by Mr. Sherman to examine and report. Its first report related to the degree in which appointments were made upon political considerations without due regard to efficiency. This led to President Hayes' famous letter of May 26, 1877, in which he said:

"It is my wish that the collection of the revenues should be free from partisan control, and organized on a strictly business basis, with the same guarantees for efficiency and fidelity in the selection of the chief and subordinate officers that would be required by a prudent merchant. Party leaders should have no more influence in appointments than other equally respectable citizens. No assessments for political purposes on officers or subordinates should be allowed. No useless officer or employee should be retained. No officer should be required or permitted to take part in the management of political organizations, caucuses, conventions, or election campaigns. Their right to vote and to express their view on public questions, either orally or through the press, is not denied, provided it does not interfere with the discharge of their official duties."

Secretary Sherman directed that further examination be made. In a second report, dated July 4, 1877, specific charges were made against persons employed in the custom-house. The conclusion was reached that the three officers at the head had come to assume that, as appointments were made

upon personal and partisan recommendations, they were in a degree relieved from responsibility for the exercise of the appointive power, and even for the management of the office. Collector Arthur referred to ten thousand applications which had been made for positions, and asserted that the persons recommending them should bear their share of the responsibility for the character of the whole force. The surveyor referred to a person holding a high official position who had recommended the appointment of an officer, who, as he knew, had been dropped three times for cause, and who, as was admitted, had been engaged in defrauding the government. The collector, in a statement before the commission, in enumerating complaints against subordinates, said: "Some are for inefficiency, some are for neglect of duty, some for inebriety, . . . some for want of integrity, and some for accepting bribes."

In the first and later reports, the commission recommended a reduction of twenty per cent. in the number of persons employed, and various measures of reform. In detailing the results of their investigation they said:

"It was estimated by chiefs of departments that men were sent to them without brains enough to do the work, and that some of those appointed to perform the delicate duties of the appraiser's office, requiring the special qualities of an expert, were better fitted to hoe and to plow. Some employees were incapacitated by age, some by ignorance, some by carelessness and indifference; and parties thus unfitted have been appointed, not to perform routine



duties distinctly marked, but to exercise a discretion in questions demanding intelligence and integrity, and involving a large amount of revenue."

The reports showed that there was ignorance and incapacity, a degree and extent of carelessness which should not be permitted to continue. Copies of the reports were sent to Collector Arthur, and in very guarded and friendly language Mr. Sherman directed him to act upon them. There was for a time no apparent objection to carrying out the recommendations on the part of the collector, or any of those associated with him. Finally a report was filed, on examining which the President announced his desire to make a change in the three leading offices of the New York custom-house. In reaching a decision in this historic controversy he does not seem to have been influenced by a disposition to fill the offices with his friends, or to favor any faction in his party. He regarded it as necessary that radical reforms should be made in the management of the custom-house, and did not believe the present officers would make them. He, as well as Secretary Sherman, was convinced that a question of the greatest importance was involved, relating to the extent to which public officers should be made agents for political purposes. The proposed action of the President was submitted to the cabinet and cordially approved by all the members.

Mr. Sherman concluded it was better that Cornell, Arthur, and Sharpe should all give way to new men, stating that no personal attack upon



General Arthur was intended, and that he hoped he would be recognized in a most complimentary way. It seems that he was, in fact, offered the position of consul-general to Paris. In a letter to Assistant Secretary McCormick, of the Treasury Department, who was a friend of Arthur, as well as of Sherman, and was selected as an intermediary between them, Mr. Sherman wrote, in September, 1877: "I want to see Arthur, and have requested him to come here. You can say to him that, with the kindest feelings, and, as he will understand when he sees me, with a proper appreciation of his conduct during the examination by the commission, there should be no feeling about this in New York. At all events, what has been done is beyond recall."

His opinion of the merits of the case was very clearly set forth in an open letter to General Arthur, which was given to the press in February, 1879:

"If to secure the removal of an officer it is necessary to establish the actual commission of a crime by proofs demanded in a court of justice, then it is clear that the case against Mr. Arthur is not made out, especially if his answer is held to be conclusive without reference to the proofs on the public records, and tendered to the committee of the Senate. But if it is to be held that to procure the removal of Mr. Arthur it is sufficient to reasonably establish that gross abuses of administration have continued and increased during his incumbency; that many persons have been regularly paid on his roll who rendered little or no service; that the expenses of his office have increased while collections have been diminishing; that bribes, or gratuities in the nature of bribes, have been received by his subordinates in several branches of the

custom-house; that efforts to correct these abuses have not met his support, and that he has not given to the duties of the office the requisite diligence and attention; then it is submitted that the case is made out."

Mr. Sharpe, the surveyor, withdrew his application for reappointment, and on the 24th of October, 1877, the President sent to the Senate, at the special session, the nominations of successors to all three of the leading officials of the custom-house. Each of these nominations was rejected five days later. December 6, at the regular session, the nominations were repeated. Those for collector and naval officer were again rejected; while Edwin A. Merritt was confirmed as surveyor, on the 16th of December. It was the opinion of Mr. Sherman, and the friends of President Hayes, that the resistance to confirmation came from Mr. Conkling, and was prompted by regard for his personal prerogatives as Senator, and his opposition to the principles of civil service. The objection on his part seems to have been even greater than that of the officials removed.

Mr. Arthur remained in office until the 11th day of July, 1878, when commissions were given to Edwin A. Merritt as collector, and Silas W. Burt as naval officer. Mr. Sherman had definitely made up his mind that he would resign if these nominations were not confirmed. When the Senate met, in the following December, he brought to bear upon senators the full force of his personal influence for confirmation, using arguments of political expediency, as well as the efficiency of the service, and

seeking to show that if the restoration of Arthur should be insisted upon, the whole liberal element would turn against the Republican party. After a heated debate of more than seven hours, in which Conkling is said to have used the expression "this man Hayes," as applied to the President, the nominations were confirmed.

Mr. Sherman has naturally been very much criticised for accepting an invitation in the following autumn from General Arthur, as chairman of the Republican State Committee, to take part in the New York campaign and advocate the election of Mr. Cornell, one of the officials removed, as governor. It was certainly an indication of his strong partisanship and of the intensity of political contests during that period. When his course was questioned he wrote: "We must carry New York next year (that is, 1880), or see all the results of the war overthrown, and the constitutional amendments absolutely nullified. We cannot do this if our friends defeat a Republican candidate for governor, fairly nominated, and against whom there are no substantial charges affecting his integrity."

His personal opinion of Arthur does not seem to have been a favorable one. When he was nominated for Vice-President, in 1880, Sherman wrote to a personal friend: "The nomination of Arthur is a ridiculous burlesque, and I am afraid was inspired by a desire to defeat the ticket. He never held an office except the one he was removed from. His nomination attaches to the ticket all the odium of

machine politics, and will greatly endanger the success of Garfield. I cannot but wonder why a convention, even in the heat and hurry of closing scenes, could make such a blunder."

### XIII

#### RETURN TO THE SENATE. — THREE TIMES A CANDIDATE FOR THE PRESIDENCY

THE administration of President Hayes, with which Mr. Sherman was more closely identified than with any other administration, and in which he was most influential, brought no popularity to the incumbent, but was well adapted to bring success to his party. Hayes had entered upon the duties of the office under a serious handicap, because his title had been called in question. At the outset he alienated many men who were extremely influential in his party, and who under the presidency of General Grant had exercised an almost controlling influence. The Stalwart element of the party was offended because it was alleged he had made an abject surrender of the state governments in the South, and yet the Southern question had been settled in a manner which, while unsatisfactory to many, was recognized as the only way. Compulsion by the national administration in the affairs of states could not be exerted indefinitely over part of the country.

Financial questions of the greatest difficulty arose. Labor riots of the most serious nature marked the first year of his administration. But resumption had been accomplished. There was universal

prosperity, and the numerous and influential conservative element preferred a continuance in power of the party in control. A stern rebuke had been given to corrupt practices, and the misuse of patronage for political advantage. It was conceded that great advancement had been made in the standard of efficiency in the public service. Withal, there was a potent influence to decrease the bitterness of party feeling which had been so manifest for many years preceding, and to give to his administration the respect and support of a united country. In his inaugural address he had furnished the key-note of his policy in saying: "Let me assure my countrymen of the Southern States that it is my earnest desire to regard and promote their truest interests, — the interests of the white and of the colored people, both and equally, — and to put forth my best efforts in behalf of a civil policy which will forever wipe out in our civil affairs the color-line and the distinction between North and South, to the end that we may have, not merely a united North or a united South, but a united country."

President Hayes had announced, in the campaign of 1876, that he would not be a candidate for a second term. President Garfield was elected in 1880 by a safe majority. For the first time since 1872 a Republican majority was chosen in the House of Representatives. The Senate had an equal number of Republicans and Democrats, with one so-called Independent, David Davis of Illinois, and one Readjuster, William Mahone of Virginia.

Mr. Sherman was frequently named for continuance in the position of Secretary of the Treasury, and at one time it was anticipated that he would be invited to remain in President Garfield's Cabinet. This retention did not seem entirely agreeable to Mr. Blaine, who was to be Secretary of State. It was urged as a substantial objection to Sherman's appointment that the continuance of but one member of the Cabinet of Mr. Hayes in that of his successor would be interpreted as a slight upon the rest, and would give offense, particularly since Sherman and Garfield were from the same state. Mr. Sherman himself recognized the force of this objection. His correspondence at the time reveals that he preferred the Senate in any event. Early in January, 1881, he was unanimously renominated for that position by the caucus of Republican members of the Ohio Legislature, and his election followed a few days later.

It must be admitted that his election to the Senate on this occasion was an indication of great good fortune. In 1877 he had resigned his position in that body to assume the duties of Secretary of the Treasury. The Legislature of Ohio which would have chosen his successor, had he continued in the Senate, was elected that same year and was more strongly Democratic than any legislature elected in that state since the formation of the Republican party. George H. Pendleton, a Democrat, was chosen Senator. Another Senator would be chosen by the legislature elected in 1879. By this time a



very strong sentiment had crystallized in favor of Mr. Garfield for the position. It was demanded as a fitting tribute to his ability and public service, and as a recognition of the Western Reserve which had been giving large Republican majorities for many years. There was a Republican legislature, and Mr. Garfield was chosen senator in January, 1880, for the term of six years beginning March 4, 1881. But in the presidential convention at Chicago, in June, 1880, he was nominated for the presidency and elected in the following November. In the mean time a strong movement had been initiated in the state to send Governor Foster, or some Republican other than Mr. Sherman, to the Senate. His commanding position, however, and his great service to the state and to the country received such recognition that, after considerable discussion, all other persons whose names were mentioned for the senatorship were compelled to step aside, and he was elected with the cordial coöperation of all the other candidates.

Mr. Sherman resigned his position as Secretary of the Treasury on the 3d of March, 1881, and assumed his duties in the Senate on the following day. This was the beginning of another period of service in the Senate of equal duration with that preceding his assumption of the position of Secretary of the Treasury, each continuing for sixteen years.

The name of Mr. Sherman was presented to the Republican National Convention as a candidate

for the presidency in each of the years 1880, 1884, and 1888. For a time his chances of success seemed very favorable in the year 1880. There was a bitter contest between the supporters of Mr. Blaine and those of ex-President Grant. It was Mr. Sherman's opinion at first that Grant would be nominated. But as the time drew near he became convinced that such a nomination would be disastrous to the party, and, though personally friendly, he earnestly opposed his selection. The strength of his own chances lay in a probable deadlock between the supporters of Grant and Blaine. Those who favored Grant were in control of the National Committee, and thus of the preliminary organization, but the claims of contesting delegates were so carefully weighed and so well supported by friends of the opposing candidates that no advantage seems to have been derived from that fact.

A contest arose over the so-called "Unit Rule." The friends of Grant, actuated in a measure by the situation in New York, where a minority of the delegates favored Blaine, desired a rule compelling each state to vote as a unit in accordance with the wish of the majority. This rule Mr. Sherman had strenuously opposed, and continued to oppose, until the time of the convention, even though it might cost him the nomination. The friends of Mr. Blaine also arrayed themselves against it. A report on the subject was presented by Mr. Garfield, opposing the unit rule. The latter's remarks on presenting this report gave him a very prominent position

before the convention, as did also his further appearance in opposition to a resolution of Senator Conkling's, proposing to exclude three delegates for voting against a resolution expressing the sense of the convention that every member of it was bound in honor to support its nominee. Garfield's speech, nominating Sherman for the presidency, added greatly to the favorable impression which he had already made. On the first ballot Grant received 304 votes, Blaine 284, and Sherman was third with 93. A contest of unprecedented length ensued, in which many efforts were made to break the deadlock. At one time Mr. Sherman's vote reached 120. On the sixth day, after thirty-five ineffectual ballots, Mr. Garfield was nominated, receiving nearly all the votes theretofore cast for Mr. Sherman and Mr. Blaine, as well as those for two or three minor candidates.

Ten of the forty-four delegates from his own state, from the first, steadily refused to join with the rest in supporting Mr. Sherman. Their stubbornness, in his opinion, not only made his nomination impossible, but also prevented the remaining thirty-four delegates from voting for Mr. Blaine, whom Sherman and his friends very much preferred to Grant as the nominee. Had these thirty-four turned to Blaine, his nomination would have been probable. This convention undoubtedly caused a great deal of disappointment and heart-burning on the part of Mr. Sherman. He often declared that he would have fared better had he

made no effort for the nomination, and regretted that he did not maintain a waiting attitude. At first he had absolutely declined to be a candidate, stating, in response to letters of numerous friends, in 1878 and 1879, that a sufficient demand for him as a presidential candidate had not developed to justify his entering the contest. A suspicion was entertained by many that Mr. Garfield, who attended the convention under instructions to vote for Mr. Sherman and was himself nominated for President, and Governor Charles Foster of Ohio, who was also a leading Sherman supporter, did not give him cordial support. Sherman, after careful examination, clearly absolved Garfield. He was more doubtful in regard to Foster, with whom his relations had been extremely friendly. Whatever distrust, however, he may have entertained with reference to him was entirely removed and for many years they continued to be close friends.

In 1884 his support was comparatively small, at no time reaching the full vote from his own state. Just as in 1880 he had been strongly opposed to Grant, so in 1884 he was equally opposed to Arthur.

Four years later, in 1888, his candidacy assumed larger proportions than ever before, and for a time previous to the meeting of the convention at Chicago, it seemed as if he would be nominated. In the balloting he received twice as many votes as any of his competitors, on the first two ballots, and the largest vote for six ballots. An unusual number of favorite sons appeared in this contest, and scattered

a vote of which otherwise he would no doubt have received a considerable share, although there was a disposition inimical to him in several large delegations, notably that of the State of New York. At this convention the delegation from Ohio was, for the first time, unanimous for him. There were, however, rumors of lack of cordiality on the part of some leading members of the delegation which did much to diminish support from other states. The nomination of Harrison was entirely satisfactory to him. On this occasion he was strongly opposed to the nomination of Mr. Blaine, to whose selection he had been reconciled in 1884.

The quality of Sherman's support was much to his credit in each of the conventions named. Theodore Roosevelt, then a young man, for the first time a delegate to a National Convention, wrote him from New York, July 12, 1884: "I have only to regret that my efforts to transfer the various 'dark horse' and 'favorite son' votes to yourself were not successful; you would have received the most cordial and hearty support from all Republicans, and I should have been proud indeed could I have assisted in bringing about your nomination."

After the convention of 1888, in response to a letter of congratulation sent by Sherman to Mr. Harrison, the latter wrote that he had been saying to those who had asked him whether he had heard from Sherman:

"Have no concern about him. His congratulations and assurances of support will not be withheld, and they

will not be less sincere than the earlier and more demonstrative expressions from other friends." . . .

He added:

" You will recall our last conversation at Pittsburg, in which I very sincerely assured you that, except for the situation in our state, my name would not be presented at Chicago in competition with yours. I have always said to all friends that your equipment for the presidency was so ample, and your services to the party so great, that I felt there was a sort of inappropriateness in passing you by for any of us. I absolutely forbade my friends making any attempts upon the Ohio delegation, and sent word to an old army comrade in the delegation that I hoped that he would stand by you to the end. I shall very much need your advice and assistance, for I am an inexperienced politician, as well as statesman."

On reviewing, however, his own record and the political conditions of the time, it does not seem strange that Sherman did not obtain the nomination on either occasion. His claims in 1880 were very strong because his name was more prominently associated than that of any other with the notable prosperity of that year; but his career, then and later, was not of that type which appeals most strongly to popular enthusiasm. He suffered especially from the disadvantage of having taken a pronounced stand upon numerous questions about which the electorate were divided in their opinions. This disadvantage has proved fatal to the presidential aspirations of several leading Americans. In addition to this handicap there was no great issue, suited to awaken general acclaim, in which he had

borne the leading part. He had been engaged in managing the government finances. He had taken a prominent part in keeping down appropriations. While strong friends had been made by his achievements in these directions enemies equally bitter had arisen. The issues which sway the multitude are those of a sentimental nature. Many of those most strongly allied to him were men who did not take any active part in politics. Those who met at presidential conventions, and discussed the question of availability, with a supreme desire for party success, conceded his fitness and his service to the party and the country, but thought him not sufficiently magnetic to attract the masses.

Ever since the Civil War the Republican party has shown a partiality for soldier candidates, for every one of its nominees for the presidency, with the exception of Mr. Blaine, had a military record. First there was Grant, the most commanding military figure of the Civil War. Next, Hayes was nominated, a brave and successful soldier, the colonel of a regiment which has the unexampled record of having furnished two Presidents of the United States as well as one Justice of the Supreme Court. Then there was Garfield. His military service, showing bravery in action and great readiness in acquiring the details of military science, was of the best, and would be much more commented upon had not his civil career eclipsed his military record. Then came Harrison, who had risen at a comparatively early age to the position of brigadier-general.



Last of the Army of the Union was McKinley, in whom recognition was given to a class who entered into the struggle when mere boys, and showed that youth was no barrier to the development of soldierly qualities. Still later the well-known service of Roosevelt in the Spanish-American War gave to him an added element of strength as a candidate, because the people recognized in him a proof that the martial spirit was not yet dead and that prowess in war meant courage and aggressiveness in peace.

It has been frequently said that Mr. Sherman was an adroit politician, a word which, as commonly used, is difficult to define. It is considered that one characteristic of the skillful politician is the ability to forecast the future by shrewdly interpreting the tendency of pending events, and to judge of the probable bearing upon public opinion of measures which are suggested. In this regard Mr. Sherman was certainly a very able politician. He had unusual astuteness in determining the reception which would be given to policies adopted. He was in no danger of pitfalls because of a failure to recognize the bearing of events of to-day upon the opinions of to-morrow. There is more than this, however, in the equipment of the most successful politician. He must be familiar with the machinery of party organization and the methods by which a guiding influence is impressed upon public opinion. He must be in touch with the men who are instruments, if not in controlling, at least in expressing, the wishes of the people. In this particular Sherman





R. B. Hays



was entirely without aptitude. His thought was of principles and policies, rather than of men; of the aggregate, made up of all the people, rather than of individuals. To him men who were intrusted with the administration of affairs were merely the agents of the people in great public movements. His lack of the faculty for remembering names and faces was also in a practical way a serious drawback. People thought him unappreciative and cold. The modern hustler so-called may be more drawn to a public man by one moment's personal recognition than by the history of a lifetime of statesmanlike achievement; to him the substance of political action is the noise and hurrah of a campaign, and he cannot appreciate a man of grave mien, who busies himself with seemingly useless abstractions and studies of a kind to prevent him from displaying affability.

The second period of sixteen years of Mr. Sherman's service in the Senate was strongly in contrast with the first. It was an era of quietness and peace, as compared with the bustle and conflict of his earlier years. The bitter controversies of reconstruction were passed. Financial questions assumed a predominance. There was no lack of bitter party controversy, or even of sectional differences, but the tariff and other economic questions were coming to the forefront. During these sixteen years, in four only did one political party control the executive department as well as a majority in both Houses of Congress; from 1889 to 1891 the Republicans controlled the executive as well as the legislative

branches, and from 1893 to 1895 the Democrats likewise. Partisan legislation was for this reason, during most of the time, impossible, and even during these four years the party majorities were so narrow that no extreme measures could be adopted. The country was prosperous in the main until 1893, although for two or three years after 1882 unfavorable conditions caused a decrease of general prosperity, and alternations of activity and dullness were so frequent as to cause sharp distress. Whatever may have been true in regard to individual prosperity for the first eight years and more after 1881, the fiscal history of the government was a marvel. Instead of the question, how to raise revenue, the difficult problem was how to dispose of it.

Mr. Sherman's position in the Senate was also a different one. During his incumbency in the Treasury he lost his priority on the Committee on Finance. Mr. Morrill became chairman, with Sherman as the second member. This imposed upon him much less responsibility in the labor of framing and presenting measures. There was no decline, however, in his standing among his colleagues. In the 49th Congress, from 1885 to 1887, he was chosen as president *pro tempore* of the Senate. He was now regarded with a most unusual degree of deference because of his knowledge and experience, and was considered as speaking with an authority on financial and many other questions such as had rarely belonged to any one in the history of the Senate. The untimely death of Garfield, in

September, 1881, brought to the presidential chair a man with whom his relations were not friendly ; but some of his ablest efforts were in support of Arthur's administration. During these first eight years of his second period of service in the Senate it must be acknowledged that he did not accomplish as much in constructive statesmanship as in other years of his career, although he was active, and in the prime of his intellectual ability.

There was little currency legislation in the eight years from 1881 to 1889.

The charters of the national banks would have commenced to expire in 1882. A bill was introduced in the winter of 1881-2 providing for an extension of twenty years. This measure afforded opportunity to all opponents of the system to offer amendments restricting its powers or changing the form of organization. The changes made, however, were not important, nor was the opposition so formidable as had been anticipated.

It was provided that not more than \$3,000,000 worth of circulation could be withdrawn in any one month. At first this amount seemed to all a liberal margin, but after a few years nearly the maximum amount was withdrawn each month. The banks were to take as the security for their circulation three per cent. bonds in exchange for those bearing three and one half per cent. Silver certificates were made available for reserves, and national banks were forbidden to belong to a clearing-house where silver certificates were not taken



in payment of balances. With these amendments the bill became a law in July, 1882. A few years later Senator Sherman advocated authorizing the banks to increase their issues of notes to one hundred per cent. of bonds held by them, instead of ninety per cent., but this change in the law was not accomplished until March 14, 1900.

With the increasing price of bonds the circulation of the national banks became unprofitable, and after reaching its maximum amount of \$356,953,345 at the end of November, 1881, constantly, though irregularly, fell off until 1891, when it was less than half that amount, the bonds securing the notes having been sold. The decrease was especially large after 1886. There was general acquiescence in the continuance of greenbacks, at the amount fixed by the Act of 1878.

The agitation for the larger use of silver continued, notwithstanding repeated adverse recommendations by Secretaries of the Treasury of both political parties, and requests that the coinage be suspended. Under the Bland-Allison Act, providing for the coinage of not less than \$2,000,000 worth per month, the silver dollars accumulated much more rapidly than the withdrawal of national bank notes, so that the increase in the amount of silver money in circulation, as represented by silver dollars and certificates, from March, 1881, when Secretary Sherman left the Treasury, to July, 1890, when the Silver Purchase Law was passed, was close to \$300,000,000. Much the larger portion was

represented by certificates. The increase in the circulation of gold, including gold certificates, in the same time was over \$220,000,000. The net increase in all forms of money was nearly \$360,000,000. This would seem to have been ample to provide for the growing demands of business, especially when it is taken into account that substitutes for money were more and more coming into use.

The difficulty in obtaining a circulation for silver was sought to be remedied by legislation in two ways, — first by the provision of 1882, and again in 1886 and later years, providing an appropriation for the transportation of silver coin, and authorizing the Secretary of the Treasury to transport it free of charge when requested to do so, provided an equal amount of coin or currency should be deposited by the applicant. Despite this effort, by the year 1890 the total amount of silver dollars in circulation among the people was less than \$60,000,000. A second effort was made under the Act passed in 1886, providing for the issuance of silver certificates in denominations of one, two, and five dollars. Ten dollars had been the minimum denomination. In accordance with the policy promoted by this Act, the smaller legal-tender notes were retained in the Treasury with a view to forcing silver, or silver certificates, into circulation. The great demand for smaller denominations of bills made this attempt notably successful. In the withdrawal of national bank notes from circulation, many bills of smaller denominations were included.

Mr. Sherman, in his last reports as Secretary of the Treasury, had pointed out the serious danger from further coinage of silver dollars. The evils which he portrayed did not occur until later, by reason of the exceptional conditions referred to, which at the time he could not have foreseen. It was also true that, in the great prosperity which followed resumption, there was a much greater demand for currency. This was especially true in the year 1880.

From 1881 to 1889 the reduction of the national debt proceeded with great rapidity. Only one law of special importance relating to loans was passed, and that was part of the National Banking Act of July, 1882, authorizing the issue of 3 % bonds in place of the bonds extended at  $3\frac{1}{2}$  %, for which Secretary Windom had made provision without legislative authority. As an inducement to take these the Act provided that they should not be called for redemption so long as any bonds drawing a higher rate of interest were redeemable. This would retain them in the hands of investors until all the  $3\frac{1}{2}$  % bonds were called. It was not anticipated at this time that the surplus revenue would be so large, or that these bonds would be called so rapidly. Mr. Sherman had introduced a bill providing for \$200,000,000 of 3 % bonds, redeemable after five years, with the thought of paying off the balance of those drawing  $3\frac{1}{2}$  %. He said: "If we sell our three per cent. bonds at par, we do better than any country in the world has done." His

remarks show how little the excellent credit of the country was realized. With no definite term, 3 % bonds to the amount of \$280,000,000 were issued in place of three and one half per cents in less than six months. Between 1881 and 1889 there was a reduction in the public debt considerably in excess of \$400,000,000. Bonds extended at  $3\frac{1}{2}$  % were all paid off. The three per cents were also paid, and the question had arisen of the policy of buying four per cents at the prevailing premium, which was 25 % or more.

The revenue during this period, so far as legislation is concerned, was only affected by the Act of 1883. In both sessions of the Forty-seventh Congress the questions of tariff and revenue aroused very considerable discussion. In the first session, beginning in December, 1881, Mr. Sherman urged a reduction of taxes, and a revision of tariff to meet changed conditions. He argued that an industrial revolution had occurred in the preceding twenty years, and, while many duties could be lowered, that prices were low, and in some cases duties should be increased. He advocated the selection of a commission to report, and urged that the revision should be such as would reduce taxation. His course with reference to the pending bill was consistent with his record at all times. He said:

“The only pertinent question involved in this bill is whether it is best to organize a commission of experts, not members of Congress, to examine the whole subject and to report such facts and information to Congress as

the commission can gather, or whether the proposed revision should be made directly, without the delay of a commission, by the aid of committees of Congress and the officers of the government familiar with the workings of the customs laws. It does seem to me that to decide this question, we need no long arguments about protection or free trade, watch-words of opposing schools of political economy, nor does it seem to me that the political bearings of the tariff question are involved when we all agree that the tariff ought to be revised, and are now only finding out the best way to get at it. . . . The only mitigation of my desire for a prompt revision of the tariff is the confidence I have that delay and discussion will make the sectional revolution more thorough and universal, and leave the tariff question a purely business, and not a political or sectional issue."

The legislation which was enacted during this Congress was the result of a great deal of confusion, and of questionable parliamentary procedure. The first measure discussed in the Senate was one for the creation of a tariff commission. The first measure introduced in the House was one for the reduction of internal revenue taxation. This passed the House at the first session, but was not debated in the Senate, although it was reported with provisions for changes in the tariff duties on sugar, and an increase of the duties on certain forms of iron. In the mean time the bill for a tariff commission passed both Houses, and a commission of nine members had been appointed, the members of which were ordered to report, with printed copies of the testimony, not later than the first day of the following, or short session. The report of the

commission favored lower duties, advising a reduction averaging 25 %.

Early in the second session, beginning in December, 1882, the Senate took up the Internal Revenue Bill passed by the House in the preceding session, and concluded to add amendments revising the tariff. The Bill was discussed there at great length. A great contrariety of opinion appeared, there being few consistent advocates of a general policy of either high or low duties. At last a bill was passed which showed a tendency toward lower duties, some of those fixed in the bill being at a lower rate than those suggested by the commission. The protectionist sentiment in the House, where there had been much discussion on the subject, but no action had been taken, was much stronger than in the Senate. Acting upon the theory that the House must initiate revenue legislation, it had been the expectation that before any final measure should be adopted it should first be passed by the House, and then considered by the Senate, but the session was nearing its close, and, with a desire to pass some measure reducing taxation, every effort was made to accomplish something. It was arranged that the Senate Bill should be brought up in the House, and, without discussion, disagreed to, so that it might be considered in conference. This virtually left the framing of a revenue measure to a conference committee, which reported an agreement only two days before the close of the session. In the House the strongest protectionists voted against the measure

as reported by the conference committee, among them Mr. McKinley of Ohio. This raised the duties on a number of articles above those of the Senate Bill, and in some instances even above rates which the House had shown a willingness to accept. The duties on the more expensive grades of woolen goods were raised, though on the more common grades they were lowered. It must be said, however, that the former were more largely imported. The duty on raw wool was slightly lowered. In this respect the wish of the woolen manufacturers was more favorably regarded than that of the wool-growers. The same general course was adopted with reference to cotton cloths. The argument was made, in the case of both kinds of cloth, that the general consumer, the man of limited means, would obtain advantage from the Bill. The duty on iron ore was raised, while on pig-iron, steel rails, copper, nickel, and marble it was lowered.

The Bill, as passed, abolished internal revenue taxes on many articles, and greatly reduced those on others, especially upon some forms of tobacco. Tariff duties were materially changed. Reductions were made on a larger number of items, but upon those of which the values of importations were largest the rates were retained or raised, so that as a result the average percentage collected on dutiable imports was, after a short interval, slightly increased. As a measure for the reduction of taxation or of the surplus, it was not successful. The income from customs and internal revenue, after touching a low-



water mark in 1885, increased rapidly, resulting in a very large surplus and creating further embarrassment.

The Tariff Act of 1883 exhibited to an exceptional extent the lack of any logical principle or uniform rules. Senator Sherman was wont to say afterwards that he regretted he had not defeated it. A change of his vote in the Senate would have prevented its passage, as it prevailed by a majority of only one; but he was of the opinion that if it had been defeated the questions involved would not have been settled for many years. It is evident that he voted for this Bill with great reluctance, and only because he regarded the necessity for reducing taxes as urgent. In his judgment this Act laid the foundation for serious tariff complications. On the other hand divers forms of internal revenue taxation were abolished and the law was made to conform to the idea which he had upheld for many years, limiting these taxes practically to spirits and tobacco. The tax of one per cent. per annum on bank circulation was retained, while that on capital and deposits was repealed. The growth of the country, however, was such that even with the diminished number of objects of taxation receipts from internal revenue increased after a brief interval of two years.

In this decade there was a notable increase in the consideration of the tariff as compared with purely financial questions. In the succeeding Congress, the second during Arthur's administration, as well as in the two Congresses under Cleve-

land's administration, there were repeated discussions on the subject. Bills were introduced, but failed of passage in either House until, in 1888, the so-called Mills Bill, making extensive reductions in the tariff, passed the House, but failed in the Senate. Party lines, in the mean time, were drawn more strictly, and in 1888 the question of tariff was beyond doubt the paramount issue in the presidential campaign.

Congress enacted many important laws between 1881 and 1889 on subjects both political and non-political. Senator Sherman made a record on nearly all of these great questions, some of which are still burning issues before the people. While some of his utterances did not show mature consideration, he brought to bear upon all a high grade of statesmanship and a wise forecast of the probable results of the measures which were pending.

His colleague, Mr. Pendleton, in the winter of 1882-3, presented a Civil Service Bill. Mr. Sherman took strong ground in favor of selections for minor offices by general laws, and by some mode of examination. He opposed the customary interference by members of Congress, saying that it was "not only demoralizing, but humiliating," and referred to his record in voting, years before, for a law forbidding, under severe penalties, any member of Congress applying to any department of the government for an appointment. This Bill had been introduced by Mr. Trumbull, then a Senator from Illinois. During the discussion Mr. Sherman said:

"I believe that members of Congress when they are compelled by public sentiment, or by the common custom of the country, or by the expectation of their constituents, to apply to the departments for minor offices, abandon the duties which are imposed upon them, and interfere with duties which are expressly imposed by the Constitution upon the heads of departments and the courts of law." While calling attention to the fact that senators were made by the Constitution a part of the appointing power, he added: "The evil of the civil service occurs in the filling of subordinate offices." He advocated guarding the power of removal, the abuse of which he said was that which ought to be most guarded against. He favored some limitation of the term of office, and tests of efficiency. He nevertheless opposed a law imposing a penalty on any clerk or employee of the government who made a voluntary contribution for political purposes, although favoring severe penalties for coercion. In speaking on this Bill Mr. Sherman took a strong stand in favor of an amendment introduced by Senator Blair of New Hampshire, providing that no person should be appointed who habitually used intoxicating liquors.

The Civil Service Law passed by a decisive vote, only five voting against it in the Senate as against thirty-eight in its favor. It became a law on the 16th of January, 1883. By this Act the Civil Service Commission was constituted. Specified classes of employees were to be designated for selection according to the law, and authority was given to each of

the heads of departments, at the direction of the President, to revise or extend the classification. A period of probation was prescribed before any absolute appointment. Appointments were apportioned among the several states, examinations provided, contributions for political purposes discountenanced, and their solicitation in any room or building occupied in the discharge of official duties, or their payment to any official in the service of the United States, or to any senator or congressman, was prohibited. The recommendation of a senator or representative could not be considered except as to the character or residence of the applicant.

During the pendency of the Blair Educational Bill, proposing appropriations by the federal government for the aid of common schools, the amounts to be apportioned among the states according to the number of inhabitants of the age of ten years or over who could not write, Sherman at first violently opposed the proposition. In 1871, in a discussion on a bill adding to the number of clerks in the Bureau of Education, he had expressed himself against education at the expense of the national government, and had said: "If the states are good for anything at all, if they are to have any powers whatever, they must have the charge and custody of the children, and the charge of the domestic relations of life." In changing his views upon the Blair Bill he was perhaps influenced by the development of illiteracy in the Southern States and the condition of the newly enfranchised

colored voters. He gave his support to the measure, but insisted that illiteracy, which was to be made the basis in the distribution of the proposed appropriations, should be determined according to those of school age, and that the federal government should retain a general supervision over the expenditure, so as to see that the money was properly expended; also that the appropriations should be for common schools only which were non-sectarian in character. This measure, which would have imposed so great a burden and so much responsibility upon the central government, passed the Senate by a vote of 33 to 11, but was not even considered in the House.

In April, 1882, he expressed his intention to vote for the repeal of section 1218 of the Revised Statutes which excluded persons who had been engaged in the rebellion from serving in the army. He also said that he would vote to repeal all provisions of law in regard to the Test Oath, and be liberal in the interpretation of the third clause of the Fourteenth Amendment. Nevertheless he said that he did this with the firm conviction that these acts when passed were all wise measures. He gave as the history of the Test Oath that it was adopted in the midst of war with the intention of guarding the House and Senate from the admission of persons who would take the oath of office and then violate it, — which one man had done, on the Fourth of July, 1861, and then, within a month, engaged in armed rebellion. He said he saw no occasion for keeping the law on the statute-book, when it had served its purpose;

and the same was true with regard to the law excluding from the Army of the United States those who had participated in the rebellion.

The most bitter political controversy in which he took part was that arising in January, 1884, when he proposed an investigation of election methods in the States of Virginia and Mississippi. His resolution for the investigation was adopted and he took a prominent part in the examination of witnesses. In the discussion of the subject he expressed decided views upon the right and obligation of the national government to interfere. He said: "The war emancipated and made citizens of five million people who had been slaves. This was a national act, and, whether wisely or imprudently done, it must be respected by the people of all the states." He contended that the fact that the elections were not national had no bearing upon the case, and that if the essential rights of citizenship were denied by any state the national government must exhaust every means in its power to safeguard those rights. He added: "Protection at home in the secure enjoyment of the rights of person and property is the foundation of all human government, without which its forms are a mockery, and with which mere forms of government become a matter of indifference. Protection goes with allegiance, and allegiance ceases to be a duty when protection is denied."

Another political controversy arose in the Senate, two years later, in regard to the election of his col-

league, Henry B. Payne, as United States Senator from Ohio. A demand had been made that the Senate inquire into charges that Mr. Payne's election was fraudulent and was accomplished by bribery and corruption. Senator Sherman strongly favored an investigation, on the ground that it was demanded by the people of the state, Republicans as well as Democrats, and stated that such action had been taken by the Senate on the charge of a single newspaper, while in this case at least forty newspapers of the party to which Mr. Payne belonged had insisted that the Senate consider the question of his election, and bring to bear its superior powers in obtaining testimony and conducting a thorough examination. An animated discussion occurred on this subject, but the Senate refused to act.



## XIV

### FOREIGN AFFAIRS. — LEGISLATION PERTAINING TO INTERSTATE COMMERCE. — FURTHER TARIFF DISCUSSION

ON two important subjects relating to foreign affairs Sherman at first expressed opinions which he afterwards entirely changed. In one case the change was in response to the trend of public sentiment as manifested in his lifetime; in the other it was in opposition to it.

Early in 1882 Senator Miller of California reported a bill providing for the exclusion of Chinese laborers for twenty years, with severe provisions for enforcement of the law, including an elaborate system requiring personal registration and passports. The demand for this legislation arose from the injurious competition created by the presence of laborers of the Mongolian race on the Pacific coast and elsewhere. The Burlingame Treaty, framed in 1868, contemplated free intercourse between China and the United States, and the untrammelled movement of Chinese citizens hither. In one article it was provided: "The United States of America and the Emperor of China cordially recognize the inherent and inalienable right of man to change his home and allegiance, and also the mutual advantage of the free migration and emigra-

tion of their citizens and subjects, respectively, from the one country to the other, for purposes of curiosity, of trade, or as permanent residents." In another article appeared this provision: "Chinese subjects, visiting or residing in the United States, shall enjoy the same privileges, immunities, and exemptions in respect to travel or residence, as may there be enjoyed by the citizens or subjects of the most favored nation." It was, however, agreed that naturalization should not necessarily result, by the following paragraph: "But nothing herein contained shall be held to confer naturalization upon citizens of the United States in China, nor upon the subjects of China in the United States." On the other hand, it was provided that Chinese subjects should enjoy all the privileges of the public educational institutions under the control of the United States which were enjoyed by the citizens or subjects of the most favored nation. This treaty came to be regarded as an unfavorable one because of the unexpected influx of Chinese and the alleged unfavorable effect of their contact and competition.

Twelve years later, in 1880, another treaty with China was concluded which provided for the exclusion of Chinese laborers, and contained a clause agreeing that the government of the United States, because the coming of Chinese laborers affected or threatened to affect the interests of that country, might regulate, limit, or suspend such coming or residence, but might not absolutely prohibit it.

It was added: "The limitation or suspension shall be reasonable, and shall apply only to Chinese who may go to the United States as laborers, other classes not being included in the limitations. Legislation taken in regard to Chinese laborers will be of such a character only as is necessary to enforce the regulation, limitation, or suspension of immigration, and immigrants shall not be subject to personal maltreatment or abuse." There were special articles exempting from the provisions of the treaty Chinese teachers, students, and merchants, with their household and body servants, and Chinese laborers then in the United States.

Mr. Sherman opposed this Treaty of 1880 as well as the bill introduced by Senator Miller in 1882. He averred that the measure was a reversal of our traditional policy of welcome to all people, and of dependence for growth, in a large degree at least, upon foreign immigration; that its provisions were too severe and sweeping. He advocated the exercise of discrimination between different grades of labor and Chinese of different employments. He was opposed to so long a term of exclusion as twenty years, the time fixed in the bill, and stated that in the mean time the sentiment of the people might change, giving as an illustration the change of sentiment in California with reference to the ratification of the Hawaiian Treaty, which at first had been strongly favored there, but at that time was opposed. He expressed his willingness to vote for exclusion for a term of five years.

President Arthur vetoed this bill, calling attention to the Burlingame Treaty, and the later treaty, drawn in 1880, and effective the following year. In his veto message he gave the history of the consultations between the representatives of the two countries when the latter treaty was made, and called attention to the serious consequences of repudiating treaty obligations, and the great advantages, present and prospective, which would accrue from trade with China, especially to San Francisco and the Pacific coast. He transmitted a memorandum of objections by the Chinese Minister, in which it was urged that the bill was not only in violation of the letter and spirit of the treaties, but was expressly contrary to the explanatory statements made by the American commissioners at the time the treaty was formed. Mr. Sherman voted to sustain the veto of President Arthur, and the bill did not receive the requisite two thirds.

At the same session, another bill was framed, excluding Chinese laborers for ten years, and containing further provisions that no Chinese should be permitted to enter the United States without producing to the proper officer a prescribed certificate. It forbade citizenship to the Chinese, and contained provisions for the execution of the law, which, though drastic, were surpassed by further legislation in 1884, 1888, and later years. Sherman voted against this bill also. It was passed, however, and approved by the President.

In February, 1885, while taking strong ground

in favor of the Alien Contract Labor Law, forbidding the entry of aliens under contract, Sherman discussed the Chinese Exclusion Acts, declaring they were not passed on the ground of race or color, but because the Chinese came here as mere serfs under a contract, to compete with our free laborers. The Alien Contract Labor Law, forbidding the importation of men who came under a contract to labor in the United States, was, he said, similar in its purposes. It did not exclude people because of their race, but because they were under contract. Any class of people who were so low and so lacking in manhood as to barter away their freedom should not be permitted to be brought into this country, to compete with our laborers who were struggling to elevate themselves in the arts of manhood. It was not a case of prohibiting the immigration of foreigners, but the importation of "bought" men. In 1886 there was a demand for another law, and a supplementary act was reported by him, the object of which was to make the entry of Chinese still more difficult, and to punish fraud. This passed the Senate, without division, June 1, 1886, but was not reported in the House. In the discussion Mr. Sherman stated that he had not voted for the treaty of 1880, or the bill of 1882 upon the subject, but that he regarded the pending measure as merely supplementary to prior acts and necessary for their proper execution. He expressed an opinion, however, in sympathy with legislation of this character, because Chinese citizenship was uncongenial and

dangerous. He insisted that the citizens of any country had the right to exclude any people of any country whom they considered obnoxious to them or to their institutions.

Another subject upon which he changed his views was in reference to the relations of the United States with Canada. At one time he favored political and commercial union. On further consideration he thought the acquisition of Canada not desirable, and, it may be added, he did not think it best to enlarge the borders of the United States in any direction. This later opinion was adopted and formulated by him some years before the so-called Anti-Imperialistic movement of 1899, and he strenuously maintained it during the Spanish-American War and after.

Mr. Sherman became a member of the Committee on Foreign Relations of the Senate in December, 1883, and its chairman in April, 1886. The work of this committee was never altogether in accordance with his tastes, and he accepted the chairmanship with some hesitancy. During the time when he was chairman, many important diplomatic questions arose in which he took a prominent part.

A treaty with Great Britain was negotiated by the Executive Department, and sent to the Senate for ratification in February, 1888. It was intended to define the rights of American fishermen plying their vocation in Canadian waters, a question which had caused a great deal of irritation. This was

rejected, August 21, 1888. The President at a later time sent to Congress a message asking for fuller power to undertake retaliation in case severe measures should become necessary. A bill giving the President such power was introduced in the House, and passed, but the Senate took no action upon it, the majority there expressing the opinion that a retaliatory law passed in the preceding year, of which the President had not taken advantage, gave him ample power in the premises.

Mr. Sherman submitted a resolution for the investigation of the relations of the United States and Canada with a view to establishing closer relations. On the 18th of September, 1888, in some remarks upon this resolution, he referred to the relations between the United States on the one hand, and Great Britain and Canada on the other, in a speech of very considerable length. He reviewed the various treaties in regard to fisheries, beginning with that framed in 1818. The first fault which Mr. Sherman found with President Cleveland's message was that while the rejected treaty referred only to the rights asserted on the northeastern coast of Canada, this message referred to subjects extending across the continent, affecting commercial relations with every state and territory on the northern boundary. He said the difficulties arising from existing differences would be much easier to solve if we could treat alone with Canada as an independent power, instead of through the sovereign power, Great Britain. He made a very com-



plete review of the whole controversy, and ended by dwelling on the desirability of the union of Canada with the United States. Towards the close he said that retaliation in the manner proposed by the President would be "neither manly, dignified, nor just;" that the only way to avoid future friction would be a commercial and political union between Canada and the United States. "True statesmanship," he said, "consists in an earnest effort by honest means to promote the public good. No greater good can be accomplished than by a wise and peaceful policy to unite Canada and the United States under one common government, but carefully preserving to each state its local authority and autonomy. This controlling principle of blending local and national authority — many in one — was the discovery of our fathers, and has guided the American people thus far in safety and honor, and I believe can be, and ought to be, extended to the people of Canada. With a firm conviction that this consummation, most devoutly to be wished, is within the womb of destiny, and believing that it is our duty to hasten its coming, I am not willing, for one, to vote for any measure, not demanded by national honor, that will tend to postpone the good time coming when the American flag will be the signal and sign of the union of all the English-speaking people of the continent, from the Rio Grande to the Arctic Ocean."

He expressed similar opinions in regard to uniting the two countries, in the Senate, March 12, 1889,

saying that the word "annex" was not very pleasant to either the United States or Canada, "but," he said, "the union of Canada and the United States, in my judgment, is just as sure to come, whatever committees you may have, and whoever may be senators here, as any future event that can happen." He added: "I certainly would not propose any measure that would either threaten, or coax, or beg, or ask, even, the people of Canada to join their fortunes with ours. The time will come when by the growth of popular sentiment on both sides of the line it will be felt that it is necessary, for the safety of each and all, to prevent internal wars, and, if you please, continued discord; that it will be for the benefit of the people of these countries, speaking the same language, with like institutions, — as much alike as those of our several states, — to gradually melt into allegiance to one government, under the same common flag, and, I trust, with the hearty good will of the mother country of both."

In the next decade, on further reflection, he regarded it the best policy that Canada should constitute an independent republic, founded upon the model of the United States, with one central government, and provinces converted into states. The reason for this conclusion was that the United States already embraced so vast a country that any addition to the number of its states would tend to weaken the system, and the conversion of the provinces in Canada into states of our Union would introduce a new element of discord. He thought

that the condition of Canada constantly invited a breach of peace between the United States and Great Britain, but that with Canada governed by a Parliament, and by local assemblies of her own, no embarrassing differences would arise.

In January, 1889, he spoke on matters relating to the Samoan Islands, and gave an extended history of the conflicts and disturbances which had occurred there. The discussion on this subject, and his participation in it, are especially interesting because of its relations to future policies of the United States in regard to the islands of the Pacific Ocean, and as disclosing his views respecting the attitude of our own country toward weaker countries in which opportunities exist for advancing our interests by intervention. He insisted on the right to have a harbor and a coaling-station at Pago Pago, and that it was universally recognized that the people of Samoa were unable to sustain a regular form of government. No thought of contest with Great Britain and Germany, which countries also had rights there, was to be tolerated for a minute. It would be a shame and disgrace for three Christian nations if they could not agree on some form of control for the islands and their respective rights in them. The right to a coaling-station was based on a treaty in the year 1878, and our occupation six years previous thereto. While insisting on our right to a harbor, it will be noticed that at no time did he advocate the permanent annexation of the islands, and the conference of 1889, at Berlin, recog-

nized them as neutral territory, with an independent government. This arrangement continued until 1898, when disturbances arose, and the islands were divided between the United States and Germany.

As regards Mexico, he favored the most intimate commercial relations between that country and the United States, though at the same time expressing his opposition to discrimination in the rates of duty in favor of any nation.

The agitation for railway rate regulation, under the constitutional power of Congress to control interstate commerce, was contemporaneous with the development of the West after the Civil War. The great increase in the production of grain and other agricultural products awakened attention to the rates of freight to be paid in reaching markets, and led to the so-called "granger" legislation. Laws were passed by state legislatures regulating railway rates and seeking to diminish charges.

The first recognition in federal legislation of the right to control interstate commerce is found in an Act, introduced by Mr. Garfield, and passed June 15, 1866, containing this preamble: "Whereas, the Constitution of the United States confers upon Congress in express terms the power to regulate commerce among the several states, etc." This Act provides that every railroad company is authorized to carry upon and over its road passengers, troops, government supplies, mails, freight, and property on their way from any state to another state, and to receive compensation therefor, and to connect with

roads of other states so as to form continuous lines for the transportation of the same to the place of destination. It contains a proviso that no new road or connection can be built without authority from the state in which the railroad or connection is projected. On June 9, 1868, a Committee of the House of Representatives which had been directed to report whether Congress had the right to regulate railway rates, and, if such right existed, to present a bill, reported that the right existed but that the members had not the necessary information upon which to act.

Before any legislation was enacted by Congress, two Senate Committees made reports upon the subject, reaching widely different conclusions. The first was appointed in December, 1872, in compliance with a recommendation of President Grant, in his message. Senator William Windom of Minnesota was chairman, and Mr. Sherman was a member, of this committee. In April, 1874, the committee made a report in which different methods of regulation were considered and some of them pronounced impracticable. This report advised such indirect regulation and reduction of charges as would result from the establishment of one or more railway lines, to be owned or controlled by the government, and said: "This proposition proceeds upon the theory that, by reason of stock inflation, extravagance, and dishonesty in construction and management, and combinations among existing companies, the present railroad service of the country imposes unnecessary

burdens upon its commerce, and that one or more railroads, economically constructed and operated or controlled by the government, in the interest of the public, would regulate all the others on fair, business principles, remedy the abuses that now exist, check combinations, and thereby reduce the cost of transportation to reasonable rates." Much of the attention of the committee was given to numerous water-routes, the development of a majority of which, whether natural or artificial, has since come to be considered of doubtful utility, because of the disproportion between cost and the probable benefit to be derived from them. It will be noted that this report proceeded upon the theory that rates were unreasonable.

A later report made by a Senate Committee, of which Senator Cullom was chairman, on the 18th of January, 1886, after railroad rates had been very much diminished by reason of the natural outcome of competition, — a result made possible by the superior construction and increased business of the roads, — came to radically different conclusions; maintaining that the great evil to be corrected was unjust discrimination between persons, places, commodities, or particular descriptions of traffic.

The Committee made this statement in its report:

"The policy which has been pursued has given us the most efficient railway service and the lowest rates known in the world; but its recognized benefits have been attained at the cost of the most unwarranted discrimina-

tions; and its effect has been to build up the strong at the expense of the weak; to give the large dealer an advantage over the small trader; to make capital count for more than individual credit and enterprise; to concentrate business at great commercial centres; to necessitate combinations and aggregations of capital; to foster monopoly; to encourage the growth and extend the influence of corporate power; and to throw the control of the commerce of the country more and more into the hands of the few."

In the mean time numerous propositions for regulation or for a report upon the powers of Congress had been presented in both Houses, but nearly all of them died in the committee room. It is surprising to observe how large a share of the resolutions introduced were mere directions for a report upon the constitutional right of Congress to regulate interstate railway traffic. This right was asserted in an act which became a law March 3, 1873, to prevent cruelty to animals in transit. The first general measure to pass either body was a bill introduced in the House by Mr. George W. McCrary of Iowa, in 1874, to regulate commerce by railroad among the states, providing for a board of railroad commissioners of nine members, one from each of the judicial districts of the United States. This measure passed the House March 26, 1874, by the close vote of 121 to 115. It foreshadowed the bill creating the Interstate Commerce Commission, but did not receive attention in the Senate. In December, 1878, a bill framed by Mr. Reagan, of Texas, passed the House by a vote of 139 to 104.



This contained no provision for any commission, but forbade discrimination between individuals, and required the posting of schedules showing classifications of freight, places to which commodities could be carried, and rates. No action was taken upon this in the Senate. In February, 1880, and December, 1881, other bills were introduced by Mr. Reagan, but failed of passage.

In January, 1885, Mr. Reagan called up a bill, introduced by him, which forbade discrimination between individuals in freight rates charged by railroads or pipe-lines engaged in interstate traffic; demanded that the charges be reasonable; fixed three cents per mile as a maximum passenger rate; forbade discrimination in facilities afforded; required equal promptness in handling for all shippers; prohibited rebates; absolutely forbade the charging or receiving greater compensation for a shorter haul than for a longer haul which included the shorter; required the posting of schedules, etc., and contained a section against pooling. An amendment providing for a body to be known as the Interstate Commerce Commission, and defining its powers, was voted down. The Bill passed the House January 8, 1885.

The Reagan Bill in effect compelled a *pro rata* graduation of freight rates on railways engaged in interstate traffic in accordance with mileage, prescribing, for example, for a distance of one hundred miles one tenth the rate for one thousand miles, though making allowances for charges for

loading and unloading. It also gave to the state courts jurisdiction in all questions relating to the enforcement of the law. When the Bill reached the Senate, Mr. Sherman, though favoring the general purpose of the measure, very strongly opposed these particular provisions. He also doubted the right of Congress to establish maximum and minimum freight rates, though inclined to believe that the general power of regulation existed. He especially opposed the *pro rata* rule as applied to freight rates, and the allowing of state courts to enforce the law. He ridiculed this latter provision by asking if a Texas justice of the peace might pass on the construction of the law. A substitute bill, proposed by Senator Cullom, passed the Senate February 4, 1885, but a disagreement between the two Houses prevented the adoption of the measure.

In 1886, when the discussion was continued in the next Congress upon a Bill for the Regulation of Interstate Commerce, introduced by Senator Cullom, Mr. Sherman called attention to the intricate questions arising upon routes of transportation where there was competition between land and water, and explained the general details of the Bill. The discussion continued in April, 1886, when he pointed out the relation of the Bill to foreign commerce, maintaining that lower freight rates should be fixed on commodities intended for export. The paramount desire was for legislation forbidding discrimination, although a lowering of rates in specific localities was still insisted upon. The dis-

cussion upon the Bill, particularly in the Senate, makes it apparent that a decrease in the aggregate receipts of the railroads of the country was not anticipated. Readjustment, to prevent discrimination between persons or localities, was expected, rather than reduction.

A vital difference developed between the Senate and the House, they discussing distinct measures. The House favored a broad general provision that a higher rate should not be charged for a short haul than for a longer haul, on the same line, and including the short haul. It was argued in the Senate that the rates from terminal points, where water competition existed, might, by this provision, be rendered so high that railways could not compete with waterways, except by diminishing local rates to a figure which would be confiscatory. As a result the provision insisted upon by the Senate was that the charge for the shorter haul should not be greater than for the longer, "under substantially similar circumstances and conditions," but gave the Commission the right to determine the different conditions under which exception could be made. The Senate Bill provided for a Commission of five members, and defined their powers.

During the discussion of this subject Sherman opposed the section in the House Bill forbidding pooling, which finally was included in the Act. He argued that just as individuals have an undeniable right to form partnerships on such bases as they may see fit, the right of railroads to join

together should be allowed to them. He said there was no reason in refusing to permit them to make contracts with each other, in any form they might see fit, unless it involved a breach of public policy. All pools were not wrong. Great advantage in steadiness of business, and, upon the whole, in reduction of rates, had resulted from them. The Commission should be given the power to discriminate between pools which were beneficial to the public and those which were detrimental. He opposed a provision making the maximum passenger charge three cents per mile, and pointed out the instances in which this would interfere with charters already granted by states. He declared for a court of nine judges, which would have the supervision of all questions relating to interstate traffic. The two measures were submitted to a conference in which, at that session, no agreement was reached.

By the following winter of 1886-87 a decision of the Supreme Court had been rendered which emphasized the idea that state legislatures could not control traffic except that which was entirely inside a state. This made it the more important that national regulation should be established, and the conference committee, which had failed to agree at the previous session, agreed upon a Bill in substantially the form in which the measure had passed the Senate. Both Houses then adopted the conference report, and the Bill was approved by the President on the 4th of February, 1887.

In December, 1887, President Cleveland sent to Congress his annual message, in which he departed from traditional forms and dwelt only upon the necessity of reducing the revenue. On the 4th of January, 1888, in a criticism of the President's message, Sherman made the most elaborate of his speeches on the tariff. He criticised the Democratic House for its failure to propose any measure reducing taxes, and attacked the President because he did not apply the surplus revenue to the reduction of the public debt. In July, 1886, he himself had already clearly set forth the danger of the accruing surplus revenue, and had promised that a majority of the Senate were ready to adopt any reasonable measure for the reduction of taxes. He attacked the House for omitting beneficial appropriations, such as those for the return of the Civil War direct tax to such of the states as had paid it; for deficiencies which were admittedly due; for coast defense, and the upbuilding of the navy. He contended that had these appropriations been made, and had the Secretary of the Treasury employed the residue for payment of the public debt, as was legal and proper, this condition, which the President thought so exceedingly alarming, would not exist. The public debt would have been greatly reduced, and there would be under way vast works for the public weal.

One of his main criticisms of the President was that the real substance of his message was an attack on the protective system, rather than an

attempt to relieve the burdens of the people by diminished taxation. He said that the existing conditions might not be the result of intention on the part of the executive officers, but their neglect of public duty was the fountain of their woes, and if evil came from this condition to the Republic the fault would be at their door. No artificial scare could be made to cover the faults and defects of the administration. If the danger was as great or as imminent as the President would have the people believe, why, to meet such an extraordinary danger, did he not exercise his constitutional right and convene Congress? But now that Congress had met in regular order, it could not be stampeded, by mere shoutings of danger, to reverse its entire policy of the last thirty years of protecting domestic industries against foreign competition. He further asserted that if the President merely desired to avoid surplus revenue there were three ways in which that could be done; reduce internal revenue taxation; put upon the free list such articles as could not be produced at home to advantage, or raise protective duties to the point of prohibition so as to cut down importations.

On the effect of the tariff in certain lines of manufacture he said that, under the beneficent influence of this protection, we had made marvelous strides and had brought within range of the most of the people, porcelains, table ware, ornaments, rich clothing, enamel work, beautiful furniture, and a thousand articles of taste and luxury, all the work

of our own countrymen. To talk of reducing duties on these articles of luxury, made abroad, was to propose a shifting of the burdens of taxation from the shoulders of those able and willing to bear it to the masses of the people. If reduction of revenue was required, he was willing to cut the tariff tax on sugar in two, or he was willing that internal revenue taxes on tobacco should be abolished. He clearly set forth his usual views in regard to the protection of so-called raw material, saying:

“The principle of protection applies to all American labor alike. . . . No reason can be given why wool should be made free and woolen goods be protected. If we must have cheap wool, we must have cheap woolens, and if the labor of the farmer in producing the wool is not protected against undue competition with Australia or Buenos Ayres, then he who makes cloth of wool should not be protected against competition with the looms of Manchester or Leeds. If we have low duties on iron ore, we must have low duties on iron and steel in all its forms. The farmer in producing his crops performs as valuable labor as the artisan in the workshop, and the rights of every producer should have equal and just consideration without fear or favor.”

He asserted that fairness not only between the laborer and the employer, but also between the producer of raw material and of the finished product, required a duty on the former as well as on the latter, and expressed the opinion that in order to develop prosperous manufactures, it was necessary to have a large and permanently available stock of the basic products, to which he referred as



“miscalled raw materials.” Thus, he argued, the pig-iron industry could not have been developed except for the duty on iron ore, and by the same rule the woolen industry could not have been established without the duty on wools. He especially attacked the President for advocating the removal of the wool tariff, and said the argument used by him that many farmers had no sheep, and so derived no benefit from the wool duty, was “the outgrowth of the narrowest sectionalism which sees no advantage in great objects of national desire.” Under this principle, he added, the Central States would oppose coast defenses; the New England States, the improvement of the Mississippi; the Quakers, all forms of military strength; and the childless, the public school system.

On two later occasions he criticised the Mills Bill, and again set forth his views on the subject of tariff. He said the Bill represented the general sentiment of the Democratic party, and looked to tariff for revenue only, while the Senate Bill, which was framed as an amendment, provided for both revenue and protection. He called attention especially to the benefits derived by the South from the protective system, and said: “The South is a part of our country, and will be forever, no doubt. Whatever else we may differ about, there is no doubt about the unity, power, and greatness of our country; and therefore I take as much pride in the prosperity of the South as I do in that of New England or Ohio, or the Northwest, with its

marvelous prosperity." He said he would extend the protective policy, which had made the North, to the South; that the time was not far distant when different ideas would prevail there, and it would become rich in manufactures as well as in agriculture; that a diversification of industries was the hope of the South.

He favored a duty on tin plate, and said that if such a duty had been imposed five years before it would already be an established industry. On the 29th of September, 1890, he expressed himself as follows upon the necessity of frequent alterations in tariff schedules: "From the nature of a tariff law it is necessary that constant changes should be made, because, however perfect may be the form of a tariff law this year, in five years the change of production and manufacture, of consumption, the change of markets, demands a change of the tariff. Therefore it is that in most countries, even in those that are free, while the popular voice is heard in legislation, the necessary changes in tariff laws are made by executive authority."

During this period Mr. Sherman was associated with several projects of a patriotic nature having to do with commemorating, by memorials at Washington, the work of men who had an important part in the upbuilding of the nation. This was especially true of the Washington Monument. The building of this structure was at first undertaken by a private association, known as the Washington Monument Society, which proposed to

raise the necessary funds by voluntary subscriptions. In 1854, about one third of the Monument had been constructed, when work was suspended, for want of means. On the one hundredth anniversary of the Declaration of Independence, July 4, 1876, Mr. Sherman wrote out a resolution recounting the obligations of the country to Washington, and proposing that Congress assume and direct the completion of the Monument and instruct the Committees on Appropriations to carry out this intention. This resolution was offered by him on the morning of July 5, 1876, and agreed to in the Senate unanimously. On the following day it was unanimously adopted in the House. The Monument was completed, and dedicated with impressive military and civic ceremonies, on the 22d of February, 1885. He was selected as chairman of the commission to arrange for the dedicatory services, and presided over the exercises at the base of the Monument. He also presided on the occasion of the ceremonies at the dedication of the statue of Chief Justice Marshall, on the birthday of Mr. Sherman, in 1884. In December of the same year he proposed, as an amendment to an appropriation bill, the erection of a statue to the memory of General Lafayette. This amendment, which was the initial step in securing the statue now located in Lafayette Square, was adopted.

The political campaigns for eight years, from the inauguration of President Garfield to that of President Harrison, were years of great political activity

on the part of Sherman, especially in the State of Ohio. Each year he took a leading part in the contests in his native state, and was expected to make the key-note speech, — at least so far as national affairs were concerned. There was an active campaign in every year, except 1881, when the death of President Garfield, which occurred on September 19, practically precluded political discussion. It was thought, by men of both parties, that the bitter controversies which usually prevail in political contests would not harmonize with a proper respect for his memory. Democratic victories occurred in Ohio, in 1882 and 1883. Local issues, especially the regulation and taxation of the liquor traffic, were very prominent in the years from 1881 to 1885. Sherman was very much criticised because the Tariff Bill of 1883 was regarded as diminishing the protection afforded to wool, a product in which Ohio then led all other states. In 1883, as on several preceding occasions, he was strongly urged to become a candidate for Governor of Ohio. So much had been done for him by the state that if the party convention had insisted upon naming him as a candidate he would have felt compelled to accede to its wishes, and it required the utmost effort on his part to prevent the nomination. The legislature which chose Mr. Sherman senator for the fifth time was elected in 1885. The contest at the polls resulted in an easy victory for the Republicans, and in his own party there was practically no opposition to his return.

In 1884 he took a prominent part in the national campaign in Massachusetts and New York, closing, in company with Mr. Blaine, at Brooklyn, a few days preceding the election. In 1885, after the election in Ohio, he spent some time in the Virginia campaign. In March, 1887, on his return from a visit to Florida and Alabama, he made an address in the hall of the house of representatives at Nashville, Tennessee, which attracted wide attention at the time. He was received there in a very friendly manner, and spoke especially of the interests of Tennessee in the policies advocated by the Republican party, because of their bearing on the material development of the state. This speech was said to be the first address on national politics ever made by a Republican of national reputation to a Southern audience. He laid special stress upon the former Whig tendencies of Kentucky and Tennessee, and their old leaders, Henry Clay and John Bell, and maintained that the Republican party was continuing the policies which had been advocated by them, both as regards protection and sound money, and that in those policies lay the future hope of the state.

Beginning in 1887, his attention was taken up with his proposed presidential candidacy of the following year. At no time, however, does he seem to have given that all-absorbing attention to his candidacy which is usually characteristic of candidates supremely anxious for success. In all his aspirations he was guided by a feeling that all

events were determined by currents of public opinion, which could not be controlled. This did not amount to an idea of fatalism, but he recognized that no man could be chosen except in response to the will of the people.

## XV

### IN THE SENATE. — ADMINISTRATION OF PRESIDENT HARRISON, 1889 TO 1893

DURING the administration of President Harrison the activities of Senator Sherman were associated with three very important legislative measures, — the Anti-Trust Law, the Silver-Purchase Law, and the McKinley Tariff Bill. The first two have been designated by his name, though, as regards the Silver-Purchase Law, it should be said that he always disclaimed responsibility for the measure, as it was merely a compromise which he prepared with a view to harmonizing the discordant views of members of his party.

Anti-trust legislation was first enacted in 1890, by the Fifty-first Congress. Prior to that year several of the states had passed laws relating to trusts, but the evils sought to be corrected were found to be of such magnitude that national legislation was thought to be required. The problem did not receive any considerable attention in Congress until the Fiftieth Congress, from 1887 to 1889. During these two years a score of bills and resolutions were introduced to suppress, regulate, or investigate trusts. In pursuance of a House Resolution, a lengthy investigation was conducted by a com-



mittee of that body, but no legislation was formulated or recommended, and, in a report after the election of 1888, the committee said that the number of combinations and trusts formed and forming was very large; but, owing to differences of opinion between the members of the committee, they limited their report to submitting to the careful consideration of subsequent Congresses the facts shown by the testimony taken before the committee.

The first bill in the Senate was introduced in May, 1888. It merely prohibited combinations for the control of patented articles. The next, introduced August 14, 1888, defined trusts, and provided a severe punishment for persons connected with them. A trust was defined as a combination of capital or skill, by two or more persons: (1) to create or carry out restrictions on trade; (2) to limit, to reduce, or to increase the production or prices of merchandise or commodities; (3) to prevent competition in the manufacture, making, sale, or purchase of merchandise or commodities; (4) to create a monopoly.

Mr. Sherman, on the 14th of August, 1888, introduced a brief measure, declaring all agreements, etc., between persons or corporations, with a view, or which tended, to prevent full and free competition, or to advance the cost to the consumer, to be against public policy, unlawful, and void; also penalties were provided, one of which was aimed at corporations, and prescribed a forfeiture of corporate franchises as a punishment. This Bill

was reported in the following month by Mr. Sherman, with two additional sections making penalties more specific. The first gave a civil remedy to the injured party. The second prescribed a criminal penalty, to the effect that persons entering into any such agreement should be guilty of a high misdemeanor, and, on conviction, should be subject to a fine or imprisonment, or both. This was further amended, and brought up for discussion in January, 1889, when a lengthy debate occurred. An elaborate speech was made by Mr. George of Mississippi, in February, 1889, maintaining that the Bill was unconstitutional. None of these bills passed either House during that Congress.

On the 4th of December, 1889, Mr. Sherman introduced in the Senate, as the very first measure of that Congress, Bill No. 1, entitled "A Bill to declare unlawful, trusts and combinations in restraint of trade and production." In its original form the first section was a declaration that all contracts made with a view, or which tended, to prevent full and free competition in commercial transactions, whether having to do with articles imported into the country or with those of domestic growth or production, were against public policy, unlawful, and void. The phraseology was identical with that of the amended bill reported in September, 1888. The original bill was reported by Mr. Sherman, from the Committee on Finance, January 14, 1890, with amendments substituting the words, "with the intention" for "with a view or which

tend," in describing the purpose or results of the acts forbidden, and granting a penalty to the injured party of twice the amount of the damages sustained. The words "for sale" were added in describing articles transported from one state to another. In a substitute presented by Mr. Sherman in March, 1890, the word "intention" was stricken out and the former phraseology restored. The evident purpose of this was to avoid the difficulty of proving an intention on the part of a corporation. In this substitute draft, also, the arrangements, etc., declared unlawful were restricted to those "between two or more citizens, or corporations, or both, of different states, or . . . of the United States and foreign states."

It is to be noted that up to this time neither in Congress nor in the country at large had the opinion gained any appreciable support that these aggregations of capital, familiarly known as trusts, were the result of a process of evolution. They were universally condemned as grasping monopolies, formed for the sole purpose of benefiting their projectors at the expense of the general public. Nor was any especial attention given to the question whether the common law, without the aid of statutes, afforded adequate remedies. It was generally conceded to be desirable that a statute should be passed, if sanctioned by the Constitution. In the consideration of this measure, as well as of the Interstate Commerce Act, and other measures, such as a law requiring the introduction of auto-

matic couplers upon railways, there was a degree of opposition proceeding from believers in states' rights. This was usually joined with declarations that the legislation in itself was salutary, but that it did not come within the scope of federal jurisdiction. With each successive measure, this opposition became less vigorous and more perfunctory.

Mr. George, as in the previous Congress, made an argument attacking the Bill on the ground of unconstitutionality, stating that he did not believe he differed from Mr. Sherman himself, who had said, on August 14, 1888: "Whether such legislation can be ingrafted in our peculiar system by the national authority, there is some doubt. If it can be done at all, it must be done upon a tariff bill or revenue bill. I do not see in what other way it can be done." Mr. George continued: "The truth is, sir, the committee, by its methods, undertook to accomplish the impossible. They have undertaken to compound from reserved and granted powers a valid bill, and the result is the incongruities I have pointed out, that curious commingling of inconsistent and inefficient provisions which has produced this abortion. There is one power in the Constitution which would have been efficient if it had been resorted to. It is the power to levy taxes, duties, imposts, etc." He asserted that, as a practical fact, the difficulties in bringing suits for reparation of injuries suffered would be such that no suits would ever be instituted; not one would ever be successful. He

strongly reprobated, however, the evil at which the Bill was aimed. In support of the position that the Bill was unconstitutional, he averred that any statute passed must be the exercise of a power to regulate foreign or interstate commerce, and nothing else. "The Bill proceeds," he said "on the idea that as to interstate commerce the jurisdiction of Congress extends to the regulation of the production and manufacture of articles taking place in a state, if only it be intended that, after such manufacture or production shall be complete, all, or a portion, of the articles shall become subjects of interstate commerce, and shall, in fact, be transported as such." This he maintained was clearly not in accordance with the law; that the only jurisdiction possessed by Congress was over actual commercial transactions between persons located in different states or engaged in trade with foreign countries.

On the 21st of March, 1890, Mr. Sherman spoke at length on the Bill. The general substance of his argument was that similar legislation existed in the states of the Union, that each state could and did prevent and control combinations within its limits, but that the states were unable to deal with the larger combinations which created a greater evil and not only affected our commerce with foreign nations, but trade and transportation among the several states. The measure was not aimed at corporations. It did not seek to cripple combinations of capital and labor, the formation of partnerships or of corporations, but only to

prevent and control such as were formed with a view to prevent competition, or for the restraint of trade, or to increase the profits of the producer at the cost of the consumer. He said:

“But associated enterprise and capital are not satisfied with partnerships and corporations competing with each other, and have invented a new form of combination, commonly called trusts, that seeks to avoid competition by combining the controlling corporations, partnerships, and individuals engaged in the same business, and placing the power and property of the combination under the government of a few individuals, and often under the control of a single man called a trustee, a chairman, or a president. The sole object of such a combination is to make competition impossible. It can control the market, raise or lower prices, as will best promote its selfish interests, reduce prices in a particular locality, and break down competition, and advance prices at will where competition does not exist. Its governing motive is to increase the profits of the parties composing it. The law of selfishness, uncontrolled competition, compels it to disregard the interest of the consumer. It dictates terms to transportation companies, it commands the price of labor without fear of strikes, for in its field it allows no competitors. Such a combination is far more dangerous than any heretofore invented. . . . If the concentrated powers of this combination are intrusted to a single man, it is a kingly prerogative inconsistent with our form of government, and should be subject to the strong resistance of the state and national authorities. If anything is wrong, this is wrong. If we will not endure a king as a political power we should not endure a king over the production, transportation, and sale of any of the necessities of life. If we would not submit to an emperor, we should not submit to an autocrat of trade, with power to prevent competition, and to fix the price of any commodity.”



He attacked the theory that such combinations reduced prices to the consumer by better methods of production. All experience showed, he said, that this saving of cost went to the pockets of the producer. He believed that the Bill was authorized by the Constitution, partly on the ground of the jurisdiction given to federal courts in suits at law and in equity between citizens of different states, or in which the United States should be a party, but more upon the ground that the subject-matter of the measure was included in the jurisdiction granted by the Constitution to regulate commerce with foreign nations and between the states.

The Bill was attacked by Senator Vest on the ground of unconstitutionality, and the charge was also emphatically made that the evils sought to be remedied were traceable to the tariff. He said: "One year ago the Senator from Ohio struck the key-note as to all these trusts and combinations in the United States. It was in the expression made in this chamber that whenever he was satisfied that any trust or combination was protected by a high tariff duty he would be in favor of reducing that duty." A considerable amount of political argument was thereafter interjected into the discussion. Mr. Vest presented a list of some twenty combinations with the duties on the articles manufactured or sold by each of them, all of which he alleged were creatures of the tariff.

Senator Reagan, who had introduced another bill on the subject, said: "I think the country is



debtor to that distinguished senator (Mr. Sherman) for his efforts to furnish a remedy for a great and dangerous evil."

Some views which would not now be accepted were expressed:—that transportation was not commerce at all; it was only a means of conducting commerce; that the states were the most competent to control trusts, and to control them efficiently. Several senators thought all legislation useless on such a subject, and called attention to a statute passed in England in 1844, entitled "An Act for abolishing the offenses of forestalling, regrating, and engrossing, and for repealing certain statutes passed in restraint of trade." It was alleged that this was the result of centuries of effort to control the natural courses of trade, and showed the uselessness of such endeavors.

A great variety of remedies were suggested at this and later times. Among them were propositions declaring that a person or corporation violating the provisions could not enforce a contract in an action at law; denying the use of the mails; imposing internal revenue taxes in addition to all other taxes then imposed; prohibiting trusts from engaging in interstate or foreign commerce; declaring patents to be null and void when used or operated by a trust. The suspension of duties by order of the President, when satisfied that a trust had been formed, and that in consequence thereof there had been an enhancement in the price of that particular article, was one favorite remedy proposed

during the discussion of this Bill, and repeatedly suggested thereafter.

A motion was made that the Bill be referred to the Judiciary Committee. This motion at first was lost. Numerous amendments were then adopted, excepting from the provisions of the Bill combinations between laborers made with a view to lessening the number of hours of their labor or to increasing their wages; also combinations of persons engaged in horticulture or agriculture with a view to enhancing the price of their products. An amendment forbidding dealing in options and futures was inserted. By this time, the 27th of March, 1890, so many amendments had been placed upon the Bill as to render it incongruous and probably invalid. The motion was renewed that it be referred to the Committee on the Judiciary with the direction that they report within twenty days. Mr. Sherman himself thought some of the amendments which had been adopted seriously injured the measure.

The Bill was again reported to the Senate by Senator Edmunds of the Judiciary Committee, on the 2d of April, very much modified in form, and the title changed so as to read: "A Bill to protect trade and commerce against unlawful restraints and monopolies." The first section declared illegal every contract in restraint of interstate or foreign commerce. The second prohibited every act in the way of monopolizing or attempting to monopolize. The third related to the territories of the United States and the District of Columbia, and

placed them on the same footing as states, in all cases. As regards these, there was no question of the power of Congress to act. A penalty was provided of a fine not exceeding five thousand dollars, or imprisonment not exceeding one year, or both said punishments, in the discretion of the courts. Jurisdiction was given to the circuit courts of the United States. Property owned under any contract, or by any combination, or pursuant to any conspiracy prohibited by the first section, when in the course of transportation, was to be forfeited to the United States; and persons injured by the acts forbidden could bring suit and recover threefold damages.

Mr. Sherman, soon after the presentation of the substitute, announced his intention to vote for the Bill, "not as being precisely what I want, but as the best under all the circumstances." It passed the Senate on the 8th of April, with only one negative vote.

The objects of the Bill, as stated in a favorable report by the Committee on the Judiciary of the House, on the 25th of April, 1890, were said to be to protect trade and commerce among the several states, or with foreign nations, against unlawful restraints and monopolies; also to afford like protection in the territories and the District of Columbia. The Committee added: "It is proposed to accomplish the first object of the Bill by declaring every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade

or commerce among the several states, or with foreign nations, illegal, and by declaring every person who shall monopolize, or attempt to monopolize, or who combines or conspires with any other person or persons to monopolize, any part of the trade or commerce among the several states, or with foreign nations, guilty of a misdemeanor."

There was no extended discussion in the House. The provisions of the Bill were explained, and it was discussed and passed in a single day. Objections to the measure were based mostly upon the tariff question, or rather upon the theory that the only method to pursue was to reduce or abolish the tariff; yet all expressions were favorable to the general purpose involved. The House added amendments, modifications of which were proposed in the Senate, but after some delay both Houses agreed upon the Bill in the form in which it passed the Senate, and it became a law, July 2, 1890.

An effort has not infrequently been made to belittle the part which Senator Sherman took in the passage of the Anti-Trust Law. The ground for this is that in the final form in which the Bill appeared and was enacted into law, it was drawn by others. But over against this stands the fact that he introduced the Bill and took the initiative in pressing legislation of this character upon the attention of Congress; that he formulated the general ideas and policies to be embodied into law, and that by his insistence, amounting to antagonism of other measures, he secured the favorable

attention of the Senate and the passage of the Bill. Whatever criticism may be visited upon this legislation, the Act is one of the most important results of his legislative career, and to him especially should be ascribed the praise or blame for its place on the statute-books of the United States.

No subject in the twenty years from 1877 to 1897 was more earnestly debated than the use to be made of silver as money. There were repeated demands by some for the unlimited coinage of the silver dollar. Others, less radical, were constantly saying: "We must do something for silver." In the whole history of legislation in the United States, no single industry or interest can be found for the benefit of which so much has been done, or for which such constant efforts have been made, as for that of silver-mining. The time had passed when this metal possessed the rank as money which it formerly held among the nations. At the time President Harrison was inaugurated it had been diminishing in value, with rare exceptions, for thirty years. Within twenty years not fewer than a dozen nations had taken steps looking to the adoption of a mono-metallic standard. Neither the Demonetization Act of 1873 nor the Bland-Allison Act of 1878 had exercised any considerable effect upon the price of silver. Three hundred and twenty million silver dollars had been coined by March 1, 1889, an amount closely approaching the outstanding amount of greenbacks. Less than sixty millions of these dollars were in circulation.

The demand for further legislation was active at the beginning of the administration of President Harrison. In his report of December 2, 1889, Secretary Windom dwelt exhaustively on the subject of silver coinage. He reviewed and dismissed as objectionable or impracticable several propositions, such as an international agreement; the continuance of the present policy of coining two million dollars worth of silver per month; an increase of the coinage to four million dollars per month; also free coinage; and recommended a plan to repeal the compulsory features of the Coinage Act then in force and to "issue Treasury notes against deposits of silver bullion at the market price of silver when deposited, payable on demand in such quantities of silver bullion as will equal in value, at the date of presentation, the number of dollars expressed on the face of the notes at the market price of silver, or in gold, at the option of the government; or in silver dollars at the option of the holder." This would accomplish three objects, suspend the coinage of the silver dollar, supersede it by a currency in which there would be equality between the quantity of silver purchased and the face value of the note issued, — at least at the time of purchase, — and provide an additional supply of money. On every one of these propositions there was a pronounced difference of opinion. The abandonment of the silver dollar was strenuously opposed, and without material concessions no such step could be taken. If the Bland-Allison Act of 1878 was to be suspended,

it would be necessary to substitute some other use of the metal in its place. On the question whether the adoption of Secretary Windom's recommendation would raise the price of silver, there was also difference of opinion. He was sure that it would. Past experience did not furnish ground for sanguine expectation, but it was maintained that the absorption by purchase in the manner suggested of an amount equal to the annual production of the United States would affect the price in a greater degree than any measure which had been tried. As regards the need of more money, there was nothing exceptional in the situation; in certain seasons of the year there was too much, and, in other seasons, there was confessedly not enough. The essential defect of our currency system, a lack of elasticity, though recognized in a degree, was partially overlooked.

The intrinsic value of the silver dollar had surpassed that of the gold dollar in 1873. In the year 1878, when the Bland-Allison Silver Act went into effect, it had fallen to 89.1. There was a considerable fall the following year, but slight recoveries in 1880 and 1884. The general tendency, though not absolutely invariable, was downward. In 1889 the value of a silver dollar, measured in gold, had fallen to 72.3. It was manifestly impossible, unless some heroic measure should be adopted, to maintain for any very considerable time the silver dollar along with gold, when the variance in their values was so considerable.



There had been a decrease in certain forms of currency and this aroused the cry for more money, which was stimulated by the fact that there was a slight decrease in the *per capita* circulation as compared with the preceding year. As against this fact Secretary Windom showed in his report that there had been a net increase in the circulation of money between March 1, 1878, and October 1, 1889, of nearly six hundred millions of dollars, a little over 74 % in total quantity, and almost 32 % *per capita*. The very large surplus of revenue over expenditure and the reluctance of the administration to purchase bonds had caused unusual quantities of currency to accumulate in the Treasury. Again, the high price of bonds was causing the national bank notes to be withdrawn. That species of circulation had decreased in the preceding year more than any other.

The support of silver in Congress had been increased by the admission of four new states by the preceding Congress. In the Senate any proposition for its increased coinage was sure of a majority. Of the eighty-four senators, the thirty-eight Democrats were nearly unanimous for the free and unlimited coinage of silver, and they were supported by seventeen of the forty-six Republicans, some of whom were not especially friendly to tariff legislation, and insisted upon concessions to silver as an equivalent for their support of any measure of the former class.

At the end of January, 1890, Senator Morrill introduced in the Senate, at the request of the Secre-

tary of the Treasury, a Bill embodying the latter's plan, though with some modifications. It was soon afterwards reported from the Finance Committee in a form satisfactory to the advocates of silver in the Senate, who, although they desired free coinage, thought this the most favorable measure which could be obtained. The first section authorized the Secretary of the Treasury to purchase silver bullion of a value of \$4,500,000 each month, and to issue in payment therefor Treasury notes receivable for customs and public dues. When so received they might be reissued. They were also to be redeemed, on demand, in lawful money of the United States. When redeemed they should be canceled, but enough silver was to be coined from the bullion purchased under the Act to equal the quantity of notes canceled. It is to be noted that this measure differed from Mr. Windom's plan in omitting the option of the Treasury to redeem in silver bullion, at the market price at the time of presentation. The Bland-Allison Act of 1878 was to be repealed or superseded by this measure.

Mr. Sherman proposed an additional section, which was adopted, authorizing the transfer to the general funds of the Treasury, of greenbacks or legal-tender notes deposited for the redemption of the notes of national banks. The greenbacks, or legal tenders, deposited, were not, as formerly, to be retained as special deposits, but were to be placed with other moneys of the government in the Treasury. As a result a large amount of money was

placed in circulation because, under the law as it had formerly existed, it was necessary to allow the money for redemption of national bank notes to remain in the Treasury as a special deposit, until, in the rather slow course of events, the notes were presented.

A long and desultory discussion occurred on the general subject of silver, in which the so-called "Crime of '73" was much referred to. Following the usual course, the members of the Senate who favored silver, though at first satisfied with the pending measure, introduced one for free and unlimited coinage at the ratio of 16 to 1. In the whole period when this subject was under discussion, the advocates of silver in the Senate used every means known to parliamentary procedure to load down legislation, whatever its nature and whether acceptable to them or not, with free coinage amendments. Propositions for the issuance of bonds, for salutary changes in the national banking laws, for increased revenue, for tariff changes, were all amended by the addition of free silver propositions.

Meanwhile, during the pendency of this measure in the Senate, the House, on June 7, 1890, passed a bill of the same general tenor, but differing in several essential particulars. The amount of silver to be purchased was the same, but the notes to be issued were full legal tender instead of being merely receivable for customs and public dues; and the Secretary of the Treasury was authorized to redeem

them in coin or silver bullion at the current market rate. During the discussion on the House Bill, which after its passage was taken up by the Senate and considered instead of the measure pending there, a motion was made in the Senate, and carried by a vote of 43 to 24, for the substitution of the unlimited free coinage of silver for the proposed purchase of bullion. Other sections of the Bill were made to harmonize with the new provision, and the Bill was passed and returned to the House, which refused to concur, and a conference was ordered.

On conference the so-called "Sherman Silver Law" was agreed upon by the Republican conferees. Of this law Mr. Sherman said, in after years, "I took but little part in framing the legislation until the Bill got into conference. The situation at that time was critical. A large majority of the Senate favored free silver, and it was feared that the small majority against it in the other House might yield and agree to it. The silence of the President on the matter gave rise to an apprehension that if a Free Coinage Bill should pass both Houses he would not feel at liberty to veto it. Some action had to be taken to prevent a return to free silver coinage, and the measure evolved was the best obtainable. I voted for it, but the day it became a law I was ready to repeal it, if repeal could be had without substituting in its place absolute free coinage." In a conversation with several of the Republican conferees on the Bill, when the

proposed law had been substantially agreed upon, he said: "I ought not to be compelled to bring in such a Bill. My judgment is against it." There were several vital differences in the measure as framed by Mr. Sherman, when compared with the House Bill. The amount of silver bullion to be purchased was changed from \$4,500,000 worth per month to 4,500,000 ounces. In view of the fall in the price of silver this greatly reduced the quantity to be purchased. The provision of the House Bill for the redemption of notes in bullion, especially favored by Secretary Windom, was stricken out, and in its place there was substituted a declaration that it was the purpose of the government to maintain the parity of the two metals.

The amount to be purchased under the law would practically exhaust the total current production of the United States, and it was confidently maintained by its advocates that it would prevent depreciation, and even advance the market value of silver. It was even said that the law would cause such a rise in value that a large profit would be obtained by the government, while, at the same time, silver would be recognized, the currency supply would be increased, and benefits would flow from every direction.

The reasons given for consenting to this law by those who, with Senator Sherman, reluctantly favored it were: (1) that irreparable injury would soon result from the continuance of coinage under the Bland-Allison Silver Law; that something must

be done to stop this coinage; and that the plan proposed would take into account the actual commercial value of silver, and would, in this respect, be a great improvement on the prior law; (2) that a Free Coinage Bill might pass both Houses, and, if it passed, the President might sign it, or, if not, at any rate it would be fatal to party success to compel him to veto it. Some who opposed the use of silver were reconciled to this measure because, they said, a trial of it would disclose the absurdity of further attempts to use silver as money and would make its abandonment possible.

In the accounts of this legislation it appears to have been overlooked that on one occasion votes were taken in the House which seemed to show a majority for a Free Silver Law. On the 18th of June, 1890, the Silver Bill had been returned from the Senate with an amendment providing for free coinage, and, in accordance with the rules, as interpreted by Speaker Reed, it was to be referred, without mention or notice in the open House, to the Committee on Coinage, Weights, and Measures. To this action exception was taken by the advocates of free silver, and a resolution introduced, June 19, to the effect that the order of reference was incorrect, and without authority under the rules of the House, and directing that the reference be canceled. This contention, which was commonly regarded as a test question upon free coinage, was sustained, on numerous motions during two exciting days, by majorities of from one to

seven. This would have left the Bill before the House, the decision of the Speaker having been overruled and the reference annulled. The situation seemed serious on these two days, but on the following day several Democrats who opposed the free coinage of silver, including Mr. Fitch of New York, and Mr. Buckalew of Pennsylvania, joined with the Republicans in voting to refer the Bill in accordance with the ruling of Speaker Reed. This episode, however, increased the apprehension that at some time, or under some circumstances, a Free Coinage Bill might pass the House as well as the Senate.

In the final vote on the adoption of the conference report exact party lines were drawn in both Houses, not a single Republican voting against adopting the report, and not a single Democrat in its favor. There was again displayed, among men of widely differing ideas upon the question of coinage, the effect of party discipline, as in the passage of the Resumption Act of 1875. The measure, as finally agreed upon, became a law, July 14, 1890. The coinage into silver dollars of two million ounces a month from the four million, five hundred thousand ounces to be purchased, was to be continued until the 1st of July, 1891.

While the reasons for the passage of this Act can be readily understood, it would be difficult to find, among measures relating to finance or currency, one which compares with this. It selected an article and issued notes upon it to serve as currency, which,



except for minor coinage, had been relegated to the position of merchandise by the most advanced nations of the earth, indeed by nearly all of those with which our exchanges and transactions were largest. It was not to be wondered at that in the succeeding autumn organizations were formed in several states which promised to create the nucleus of a political party, whose aim was to have the government establish a warehouse system in which farmers might deposit their grain, or other products, and receive in lieu thereof bills which were to answer as currency.

For a brief time the price of silver increased, more from the buoyancy of the speculative market, and the hope of those who expected favorable results from the law, than from any actual rise in value, although the increased purchase created a very large new demand. But in a few months prices again began to decline, showing that the prophecies of the advocates of the larger use of silver were ill-founded.

Almost immediately after the passage of the Silver Purchase Law there was a discussion which proved that no permanent settlement had been reached. In the second session of the Fifty-first Congress the disposition of the advocates of silver in the Senate to prevent any financial legislation was continued. An attempt was made to combine in one bill several financial propositions, and a report was made by Mr. Sherman recommending the passage of such as were regarded most desirable,

especially one to provide against contraction of the currency. The usual course was pursued. A Free Silver Amendment was placed upon this Bill, and thus any financial legislation during this session was prevented.

In the debate upon this measure, on the 13th of January, 1891, Mr. Sherman made the first of three lengthy speeches which stand out prominently among his utterances on the subject. The second was delivered on June 30, 1892, and the third on August 30, 1893. His utterances prior to the special session called by President Cleveland, in the summer of 1893, would fill several volumes. He avowed himself a bimetallist, but never to the point of advocating any measure which would cause the country to depart from a gold standard. Session by session he began to recognize and declare impracticable plans for the use of silver which had been recommended. He took a leading part in currency discussion, not as a pronounced monometallist, but with the most steadfast regard for the country's credit and financial honor. With him, not bimetallism but a sound and stable currency was the chief object of desire.

The McKinley Tariff Bill became a law on the 1st of October, 1890. This famous measure, while radically protective in its provisions, was a logical and symmetrical embodiment of the policy of protection to all American industries and products. The incongruities and inequalities which were in existence before its passage were in a large degree

traceable to the fragmentary treatment of schedules and to the undue attention theretofore given to specific lines of industry. Mr. McKinley, in introducing the measure, said that he interpreted the victory in the presidential election of 1888, and the Republican majority in the House and Senate, to mean that the votes of the people not only demanded a revision of the tariff, but that such revision should be in line with, and in full recognition of, the principles and purposes of protection. After calling attention to a decrease of some ten millions of dollars of internal revenue taxes, resulting from the abolition or reduction of the tax on different forms of tobacco, he said: "The tariff part of the Bill contemplates and proposes a complete revision. It not only changes the rates of duty, but modifies the general provisions of the law relating to the collection of duties."

This Bill was the first to contain a complete schedule of protective duties upon competing agricultural products, though omitting hides, an item made dutiable in the Dingley Bill which was to follow in 1897. The particular article on which duties were raised to a point sufficient to create a new local industry was tin plate. This duty was bitterly opposed, and a proviso was added that it should be abrogated entirely unless a certain amount of domestic manufacture should result from the trial. The duty on sugar was abolished, thereby doing away with the source of a very large share of the revenue, but a bounty was to be paid upon the

domestic product, for safeguarding home interests. Over \$50,000,000 had been paid on sugar duties during the year 1889. By the removal of this duty an appeal was made to those who desired to lessen the burdens of taxation and to diminish the surplus revenue.

The leading part in the management of the Bill in the Senate was taken by Senator Aldrich of Rhode Island, who, by his familiarity with mercantile and industrial topics, had assumed great prominence in tariff legislation. By this time he was conceded the most prominent position in this field by his colleagues.

The measure was materially changed in the Senate, not only in numerous schedules, but by the addition of a provision for reciprocity, or reciprocal trade, as it was termed. The third section, as passed by the Senate, was intended to secure reciprocal trade with countries producing certain products, especially those which were tropical or semi-tropical, by admitting them free. But it provided that duties should be levied on such products when imported from countries which imposed duties, or *other exactions*, upon the agricultural or other products of the United States which the President deemed reciprocally unequal and unreasonable. In that case the President would have the power, and it was made his duty, to suspend, by proclamation, the free introduction of specified imports from such countries.

This measure was accompanied by a Customs

Administrative Law, prepared in pursuance of suggestions made by the Treasury Department, and presented by Mr. McKinley. It became a law in June, 1890, and, although the second succeeding Congress made radical changes in the tariff law, this measure was allowed to remain practically undisturbed.

It was a frequent remark of Mr. McKinley that the real objection of those importers who had attacked him most bitterly for his part in tariff legislation was not because of the Tariff Bill which received his name, for they could adapt their prices to changing conditions created by increased duties, but because they were displeased at the Customs Administrative Law, which rendered impossible methods of importation under which an experienced importer was able to evade the intention of the law, and to manage his importations so as to bring in goods without subjecting himself to the full payment of duties prescribed.

The general objects of the law were to secure the prompt decision of disputed questions, to correct ambiguities in the law, and to prevent fraud. At this time more than five thousand suits for return of duties paid were pending in the courts of the United States, involving claims for over \$25,000,000. A board of appraisers was selected who should pass promptly upon valuations. Consular verification of invoices was required with the oath of the importer. Very material changes were made in regard to the exemption of coverings, for it was

found that in some cases the coverings, which came in free of duty, were more valuable than the package. Severe penalties were prescribed for under-valuation. In case of dissatisfaction with the decision of the collector as to the rate and amount of duty, notice must be given within ten days, when the matter would be taken up by the board of general appraisers, and from their decision an appeal must be taken within thirty days to the circuit court of the United States. Secretary Windom had pointed out the defects in the existing law, which were, like the defects in schedules demanding revision, largely the result of conflicting provisions and ambiguities. He stated that no adequate means were afforded by the laws for the punishment of fraud in the entry of merchandise.

Senator Sherman took an active part in the discussion of the McKinley Tariff Bill. He did not altogether favor the entire abolition of duties on sugar. He sustained the Bill as a whole very vigorously, and taunted the Democrats for dilatory methods which only postponed its inevitable passage. He did not, as a general policy, favor discriminations between different countries in the rates of duty, though conceding that in view of our nearness to Canada reciprocal trade with that country was profitable, and this was especially true when it appeared that our exports to that country far exceeded our imports. He favored mutual laws, as he termed them, to be adopted by both countries, rather than treaties with the South American

states. He especially opposed the duty on coal, when imported from Canada, and recommended a commission to report the best method of securing reciprocal relations with that country. He said he had never voted for a reciprocity treaty, because he believed that the power to originate every bill in regard to tariff duties lay in the House. As on all previous occasions, he favored a duty on raw materials. He expressed his willingness to see duties removed from all articles manufactured by trusts, and attacked the Sugar Trust. He said the refiners were not in good odor, and it would be well to have free trade in sugar of all grades in common use. He said that the Tariff of 1883 had many imperfections, and that the great error in it was in not making the report of the Tariff Commission the basis of the Bill. He said there were three principles in the McKinley Bill, — protection to home products, free trade in things not produced here, and taxation of articles of luxury.

As Chairman of the Senate Committee on Foreign Relations, Sherman had an important part in the consideration of propositions for the construction of an Isthmian Canal. On the 10th of January, 1891, a report was made by him, as Chairman of the Committee, upon the Clayton-Bulwer Treaty of 1850, and other questions relating to the enterprise. That portion relating to negotiations with Great Britain was prepared by Senator Edmunds; that upon the engineering phases of the project, the condition of the work, and its probable importance



from a commercial and military standpoint, by Senator Morgan; while that in regard to the financial aspect of the subject, its cost and the aid that should be given by the United States, was prepared by Mr. Sherman. The report was unanimously made by a very able Committee, consisting of Messrs. Sherman, Edmunds, Frye, Evarts, Dolph, Morgan, Brown, Payne, and Eustis.

Mr. Sherman had favored a treaty with Nicaragua, submitted by President Arthur in 1884, which was afterwards withdrawn by President Cleveland, who alleged that the treaty created an entangling alliance, because the United States engaged to defend the territorial integrity of the states through which the canal would pass. Subsequently a private company had been organized known as the Maritime Canal Company of Nicaragua, which proved unable to accomplish a work of so great magnitude. Mr. Sherman had foreseen from the start that such an undertaking could not be executed without the support and aid of the government. It was proposed in the Bill which was reported first by him, and later by Senator Morgan, that the United States should aid the canal company, although he preferred the absolute purchase of its concessions and the execution of the work under the supervision of the Engineer Corps of the United States Army, in the same manner that river and harbor improvements are made in this country. The plan for construction by the government was afterwards adopted in 1902.

The question of the choice of the route seems never to have been considered by him with any especial care. While he was a member of the Senate it was taken for granted that the Nicaraguan route would be chosen because the sentiment of the people favored a canal constructed and operated by American citizens, or absolutely owned by the government. At that time the possibilities of such control and ownership did not exist in Panama.

In the month of February, 1891, General William Tecumseh Sherman died at New York. It would be difficult, if not impossible, to find in the whole range of history two brothers of such equal and similar prominence, the one in civil, the other in military life. The affection between the two was always of the very strongest nature. Each profited by the assistance and counsel of the other. The letters passing between them throw a varied light upon the events of nearly forty years.

Each was possessed of intellectual powers of the very highest order, endowed with an unusual ability to judge of men and events, facile in speech and with the pen. Each was exceptionally loyal to any cause to which he had given his adherence, and had the power of so shaping his actions and efforts as to accomplish his ends.

In personal traits, however, there was a wide variance between them. The Senator was impassive, viewing all events from the most practical and realistic standpoint. The General was emotional, sometimes impulsive, even to the point of rashness.

The General was fond of meeting friends, and loved society and association with those who were possessed of jollity and good humor. The Senator, while not disliking such associations, was much more at home in the intellectual laboratory in which his work was performed. In the business affairs of life the Senator was careful, thrifty, and exceedingly successful. The General was profuse in his expense account, and though he enjoyed a brief training as a banker, with fair success, he was not a good financier. Though pursuing widely different paths, they were united in their aims and opinions, to an unusual degree. Although divided by a period of nine years in their deaths, their lives are always to be associated with the great epoch which is known as the last half of the nineteenth century.

In 1881 and 1886 the position of Senator from Ohio had come to Mr. Sherman by the universal acquiescence of members of his own party in the state, but in January, 1892, there was a vigorous contest with ex-Governor Foraker, who had four times been the Republican candidate for governor, and who had filled that office for two terms. On the last day of December, 1891, Mr. Sherman went to Columbus to give personal attention to the contest. He had, however, friends of prominence who directed the canvass. On the 6th of January, 1892, he was nominated for his sixth term in the Senate, by the Republican members of the legislature, by a vote of fifty-three to thirty-eight, and was elected soon after.

The campaign of 1892 resulted in the election of Mr. Cleveland to the presidency, over Mr. Harrison. It was Mr. Sherman's conviction that Harrison could not be elected, and for this reason he advised the nomination of another man, preferably McKinley. He, however, gave Harrison hearty support, speaking at Philadelphia, New York, Chicago, and Milwaukee, as well as frequently in his own state.

## XVI

### SENATOR DURING CLEVELAND'S SECOND ADMINISTRATION, 1893-1897.

THE immediate question which presented itself, after the inauguration of President Cleveland, was the condition of the currency as affected by the purchase of silver bullion. On the 14th of July, 1892, Mr. Sherman had introduced in Congress a Bill for the repeal of the section requiring the purchase of 4,500,000 ounces each month. It was not pressed at that or the following session, because it was evident that the Senate favored the largest possible use of silver, and he feared that the House might maintain the same position. When attacked for his failure to bring this Bill to a vote he said that if the Democrats would furnish a contingent of ten senators in support of the repeal, it would pass the Senate within ten days.

The principal subject of controversy between the two parties at the election of 1892 was that of the tariff. The Republican platform did not mention the Silver Purchase Law, either with approval or disapproval. It demanded the use of both gold and silver as standard money, but under conditions such that the dollars, whether of silver, gold, or paper, should at all times be equal. The Demo-

cratic platform denounced the law as a cowardly makeshift which should make all of its supporters, as well as its author, anxious for its speedy repeal.

In the mean time the silver bullion certificates, issued under the Law of 1890, began to drive other forms of currency out of circulation, and gold out of the country. The apprehension of a silver standard caused each mail boat to bring large quantities of bonds from Europe to the United States, to be sold here. As a result there was in the year 1892-93 an excess of nearly \$90,000,000 of exports of gold over imports. Exports of agricultural products fell off very largely from the preceding year. Expenditures of the government in two years reached an aggregate of \$728,000,000, and were crowding very close upon the total revenue. Public confidence, always somewhat disturbed by a change of administration, was especially apprehensive of the tariff changes which would certainly occur in case the platform of the successful party should be carried into effect. It was under these circumstances that a financial crisis occurred, which in its severity and in its paralyzing influence upon financial institutions has rarely been surpassed. The gold reserve neared the vanishing-point.

In view of the situation, President Cleveland, June 30, 1893, issued a proclamation convening Congress in extraordinary session. This call made it evident that he desired the repeal of the so-called Sherman Silver Law, and his message to Congress

of the 8th of August confirmed that opinion. He referred to this Act of July 14, 1890, as "a truce after a long struggle between the advocates of free silver coinage and those intending to be more conservative."

Mr. Sherman took an active part in favor of sustaining the recommendation of the President. He spoke, first, on the very day when the message was received, August 8, and on several other days of the month. Also, after the protracted debate in the Senate, he again took a leading part in September and October. His speeches during this period were a forecast of the famous campaign of 1896, the final and decisive contest in which was settled the question whether gold or silver should be the monetary standard of the United States.

His most stirring speech was on the 17th of October. The Bill had passed the House, after less than three weeks' discussion, by more than two to one. Then followed a succession of filibustering tactics in the Senate which threatened absolutely to prevent any action unless some disastrous concession should be made to the silver interests. It was at all times conceded that a majority favored a repeal, but the question could not be brought to a vote. On this occasion Mr. Sherman again assumed the position of Mentor of the Senate, speaking to Democrats in much the same manner as he had to Republicans twenty years before, when he was laboring for resumption. There was no longer the same physical vigor, but there was more of impress-



iveness and that authority which belongs to years of notable service. The scene was dramatic.

There is a vivid account of his speech in the "Washington Post" of the following day, written by Mr. H. S. Canfield, a brilliant newspaper writer, since deceased, which thus describes the event: "The climax of the remarkable day was now at hand. There is no man in the Senate for whom a deeper feeling of esteem is felt than John Sherman. He saw the Republican party born, he has been its soldier as well as its sage, he has sat at the council table of Presidents. His hair is white and his muscles have no longer the elasticity of youth, but age has not dimmed the clearness of his intellectual vision, while it has added to the wisdom of his counsels. Upon Mr. Sherman, therefore, as he arose, every eye was turned. Personalities were forgotten, the bitterness of strife was laid aside. In a picture which must live in the memory of him who saw it, the spare and bowed form of Mr. Sherman was the central figure. There was not the slightest trace of feebleness in his impassioned tones. Except once or twice, as he hesitated a moment or two for a word to express his thought, there was not a reminder that the brain at seventy may be inert or the fire be dampened in the veins.

"Mr. Sherman spoke, as he himself said, neither in reproach nor anger. It was the appealing tones that gave his speech its power — its convincing earnestness, its lack of rancor, its sober truth, that gave it weight. Suffice it to say that he predicted

that the rules would have to be changed since they had been made the instrument of a revolutionary minority. Never before had he seen such obstruction in the Senate, never before the Force Bill had he known of a measure which failed, after due deliberation, to come to a vote. The Republicans had remained steadfast to the President, although under no obligation to him, and now the time had come when the Democrats must take the responsibility.

“‘They say they cannot agree. They must agree,’ thundered Mr. Sherman, drawing himself to his full height, and pointing his quivering finger to the Democratic side, ‘or else surrender their political power!’

“Then Mr. Sherman pointed out the important legislation that was so sadly needed, not the least being some provision for the deficit of the government, which, he quoted Secretary Carlisle as saying, would be \$50,000,000 this year. ‘These things cannot be evaded,’ he said, while the Senate lingered on his words. ‘We must decide this silver question one way or the other. If you,’ he added, looking the Democrats in the face, ‘cannot do it, then retire from the Senate Chamber, and we will fix it on this side, and do the best we can with our silver friends who belong to us, who are blood of our blood and bone of our bone. But yours is the proper duty, and, therefore, I beg of you, not in reproach or anger, to perform it. You have the supreme honor of being able to settle this question now, and you ought to do it.’

“Mr. Sherman ceased, but the thrall of his words remained long after his venerable form had disappeared. No Democrat answered him.”

Finally a vote was taken in the Senate on the 30th of October, and the Bill passed, by 43 to 32. The Senate had made slight changes but left the Bill in substantially its original form. It discontinued the purchase of silver bullion, though declaring it to be the policy of the United States to continue the use of both gold and silver as standard money; and also that the efforts of the government should be directed to the establishment of such a safe system of bimetallism as would maintain, at all times, the equal power of every dollar coined or issued by the United States. The Senate Amendments were concurred in by the House, and the Bill was approved by the President, November 1, 1893.

In the efforts of the President and Secretary Carlisle to maintain the reserve for specie payments during the trying times of 1893-94-95, Mr. Sherman cordially coöperated to such an extent that each was accused by members of both parties of being too much under the influence of the other. He emphatically maintained that the Secretary of the Treasury had the power under the law to sell bonds to maintain the reserve, and that Secretary Carlisle did right in paying gold instead of silver for United States notes when presented.

When the Wilson Tariff Bill was transmitted from the House to the Senate Sherman attacked

it most vigorously. When it was presented to the Senate, with numerous amendments, he ridiculed the changes which had been made, stating that as it came from the House it was an orderly and symmetrical Bill, embodying the principles of the Democratic platform of 1892, while the Senate Bill was a material departure from those principles. The House Bill paid especial regard to revenue and made raw material free. The Senate Bill, which was adopted, was strongly protective as regards certain industries, but without any apparent controlling principle. The House Bill abolished duties upon agricultural products. The Senate Bill restored them except upon wool. He criticised the measure as grossly sectional, and claimed that the minority of the Committee on Finance was not given an opportunity to present any suggestions until a final decision had been reached by the majority. He again prophesied that the people of the South would change their views on the tariff, saying that slavery had been absolutely inconsistent with the development of manufactures, so that it was inevitable that the protective policy should, during the existence of that institution, be opposed in that section. Its manufactures had nearly quadrupled in thirty years. This development would result in a change in their tariff views. He was very much exercised over the abolition of the tariff on wool, and was willing to be satisfied with the *ad valorem* duty of thirty per cent. imposed by the Walker Tariff Act of 1846. Until and after

the Bill became a law, Sherman continued his criticisms and prophesied its early repeal.

At this time he opposed the Income Tax, though he did say that it was a fair and just method of raising revenue, that he had supported it in 1871, and would support it again if there were a necessity for it. He contended that this was a source of revenue which should be left to the states. He especially opposed fixing four thousand dollars as the minimum income which should be taxed, saying that was a form of socialism, and that one thousand dollars would be much more fair.

At the same session in which the Wilson-Gorman Tariff Bill was passed, the question of the Hawaiian Islands was before Congress. Popular sympathy was with those inhabitants who desired to dethrone the ruling Queen and become annexed to the United States. It was apparent that but for the action of President Cleveland annexation would have been accomplished. Mr. Sherman attacked the President upon the ground that he had assumed powers which belonged only to Congress, and that he should have communicated his action to the legislative branch more fully. He even accused the President of lack of frankness, for his action in withholding information from Congress which should have been given. He denied the President's right to use military force to restore the Queen to power.

He advocated the annexation of the islands, largely because of American interests there, and favored making them a part of the State of Cali-

fornia, clearly outlining the views which he afterwards maintained. He said:—

“But when the government of the United States undertakes to acquire property and govern it as a territory, it does what is not consistent with the ordinary machinery of the Constitution of the United States. The Constitution was not framed for dependencies; it was framed for states.<sup>1</sup> I trust the time is not far distant when every portion of the territory of our country will be within the limits of a state. I should be very glad indeed to see Utah attached to Nevada, if the people of Nevada would consent. I should be glad to see New Mexico and Arizona united together. The Alaskan Territory ought to be attached either to Washington or Oregon, because in that way we could give to those people a local government, a county government; and a county is often as independent of the state as the state is of the nation.”

In the election of 1894 the trend of popular favor towards the Republican party was very noticeable. An overwhelming Republican majority was elected to the House of Representatives, and a plurality in the Senate, though a Democrat still remained at the head of the Committee on Foreign Relations.

The Congressional Session of 1894-95 was singularly lacking in action upon any important questions. The election of the preceding autumn had shown pronounced disapproval of the party in power. Then, too, the hopeless split in the Democratic party upon the money question, which first became evident during the pendency of the

<sup>1</sup> See also quotation on page 415.



Act for the repeal of the Silver Purchase Law, in 1893, became more and more manifest with each session, and led to a partial re-alignment of parties in 1896. There was much desultory discussion but little affirmative action upon any subject. On the meeting of the Fifty-fourth Congress in the years 1895-96, there was much of the same disposition to inaction, and, besides, little could be done, because, although there was an overwhelming Republican majority in the House of Representatives, there was only a plurality of that party in the Senate, with a large preponderance of Free Silver Senators. All parties were playing a waiting game and looking forward to a decisive contest in the presidential election of 1896.

The dispute between Great Britain and Venezuela over the boundary-line between British Guiana and the latter country, as well as the growing disturbance and anarchy in Cuba, caused very considerable excitement, and, in a measure, diverted attention from domestic affairs. President Cleveland sent a message to Congress, in December, 1895, in which he gravely contemplated the possibility of war with Great Britain. Mr. Sherman did not oppose the President, or criticise his message, but he favored deliberation and the reference of a pending Bill to the Committee on Foreign Relations before any action should be taken. The Bill proposed an appropriation for the expenses of a commission to investigate and report on the true divisional-line between Venezuela and British Guiana.



Sherman said: "There is no hurry about this matter. The controversy between Venezuela and Great Britain will not be settled in a day, or in months. In my judgment it will be settled peaceably by the action of those two powers." He set forth the Monroe Doctrine in the following language: "The assertion of our right to prevent European powers from seizing any part of the American continent, from treating America as an Africa, to be conquered and divided among the various nations of Europe, cannot be questioned." He did not seem to entertain advanced opinions upon the Doctrine, and appeared to regard our action toward Mexico as a violation of it. On the following day he said: "The Doctrine, though often stated since the time of Mr. Monroe, has never been applied specially in any particular case. We did not regard the Doctrine when we invaded Mexico. After Texas had been ceded to us we occupied great portions of Mexican territory, including California. We ought to have thought of it then. But still we have insisted upon our right to protect the American nations from European encroachment, and I believe in it as heartily as any."

In the latter part of February, 1896, he spoke upon a resolution which, after quoting from the President's message a determination honestly to fulfill every international obligation, declared that the good offices of the United States were recommended to the favorable consideration of the Spanish government for the recognition of the independ-

ence of Cuba. He favored this resolution, and stated that he desired to share the responsibility for the consequences that might come from its adoption. He said: "My convictions are strong, made stronger every day, that the condition of affairs in Cuba is such that the intervention of the United States must sooner or later be given, to put an end to crimes that are almost beyond description." He called attention to his having introduced, in 1870, a resolution to the effect that the United States recognized the existence of a state of war between Spain and Cuba, and that the United States would observe strict neutrality between the belligerent parties. He stated that President Grant favored intervention, but was held back by the advice of his Secretary of State, Hamilton Fish. He made a very severe attack on Governor-General Weyler, and ended with the declaration: "Sir, whatever may be the result of the adoption of this measure, I desire to take my share of responsibility in connection with it, and with a confidence in the judgment of the Almighty Ruler of the universe, I believe it will be wise if we can assist, and all the other nations of America concur, in securing to the people of Cuba the same liberties we now enjoy." At the same time he made this distinct declaration against annexation: "Mark it, Mr. President, I am not in favor of the annexation of Cuba to the United States."

Although no financial legislation of any importance was enacted during President Cleveland's

second administration after the Repeal Act of 1893, financial discussions continued without end. Sherman stated the Republican position in some remarks, January 3, 1896, criticising the President and the Secretary of the Treasury. He attacked the administration on the ground that the sole cause of the difficulty was the lack of revenue, saying: "The only difficulty in the way of an easy maintenance of our notes at par with coin is the fact that, during this administration, the revenues have not been sufficient to meet the expenditures authorized by Congress." He again insisted on the propriety of setting apart a specific gold reserve, for the maintenance of specie payments, or segregating this reserve fund from the general balance, and called attention to his recommendation of such action while Secretary of the Treasury, on the 6th of December, 1880.

Two bills had passed the House of Representatives, one providing for a horizontal increase in duties, the other for the issuance of a three per cent. gold bond to be disposed of instead of the much more unfavorable issues which could be sold for maintenance of the gold reserve. The pendency of measures intended to relieve the Treasury Department from serious embarrassment was taken advantage of by the advocates of free silver. They did not, in this case, merely amend the bills by an addition, or by striking out something, but, in the one providing for an increase of duties, struck out all after the enacting clause, and substituted a provision for the unlimited free coinage of silver at the ratio of sixteen

to one. In the discussion of this measure, on February 25, Sherman strongly supported the President, and declined to discuss the silver question, triumphantly calling attention to the immense majorities which the opponents of silver had received at the preceding election, in the autumn of 1894.

A startling proposition was discussed in the Senate in May, 1896, the purpose of which was to forbid the issuance of bonds for the maintenance of the reserve for specie payments. This would operate as a practical repeal of the Resumption Law. He spoke in the strongest terms against this measure, saying its passage would be a crime, but expressing his gratification that the House of Representatives would still stand on the right side, and the President would aid the House. He said: "I denounce it as a repudiation. It is as bad as if we should pass an act that we will not pay the public debt. . . . It was supposed that this Senate would be the conservative check upon a numerous and tempestuous body of Representatives, and prevent unwise and hasty legislation; and yet we here, the part of the government of the United States which it was thought could be most safely relied upon, violate the most sacred contracts made by the people of the United States."

At the end of the year 1895 his book, in two large volumes, was published, entitled "John Sherman's Recollections of Forty Years in the House, Senate, and Cabinet." In that year he spent the major part of the congressional vacation, between March 4

and the session at the beginning of December, in the preparation of this work. It had been his first intention to publish a compilation of his speeches; later he thought of preparing a financial history of the United States during the period of his public life, but afterwards he concluded to write a comprehensive account of his life and times. The volumes were prepared with a degree of haste so great as to make it surprising that they are so free from inaccuracies as they are. They give a very clear portrayal of his life, his views upon public questions, his associations, his triumphs, and his disappointments. He gives the frankest expression to his thoughts in regard to the men and events of his day, and, while guarded in speaking of those with whom he had come in collision, he, in occasional instances, visits unsparing censure upon some of his contemporaries.

For some time prior to the National Republican Convention of 1896 he was eagerly interested in the nomination of Mr. McKinley for the presidency, and displayed his old-time political skill in promoting his chances. The campaign of 1896 was one of the most hotly contested, and yet one of the most satisfactory, in the history of American politics. It was, in a preëminent sense, a campaign of education, and manifested the disposition of the voters in an election campaign to become absorbingly interested in one clearly defined issue, to which they attach supreme importance. At such a time the probabilities of a wise decision at the polls are

greatly increased. After the elections of 1894, and indeed after those of 1893, it had been confidently expected that a Republican President would be chosen in 1896. Commercial and industrial conditions were very unfavorable. Agricultural interests also suffered very severely. All these facts gave popular force to the demand for a change. Governor McKinley was nominated in June, 1896, and Mr. Bryan in July. Up to this time it had been expected that the tariff and other questions, upon which party lines were drawn in 1892, would be the contested issues in the campaign, but the Democratic Convention, held at Chicago, dispelled this expectation. The convention repudiated Mr. Cleveland and his administration by refusing to pass a resolution of indorsement, and in its platform, and by the utterances of its candidate, proclaimed free and unlimited coinage of silver at sixteen to one as the leading issue. This unexpected change of front greatly increased at first the chances of Democratic success. While the change was accepted by many as a virtual confession that the political policies which had dominated the Democratic party for years preceding were of doubtful expediency, yet others believed that in the unlimited use of silver a remedy would be found for the low prices, lack of employment, and business stagnation which existed. It was a frequent remark that anything would be better than the existing hard times, and we had best try free silver. Thus, the line of division between the two parties was very



materially changed. If a vote had been taken in August or September of 1896, it is probable that Mr. Bryan would have been elected by a considerable majority, as his pleasing personality and aggressive methods of campaigning gave him great strength as a candidate; but in time the question of silver was more thoroughly understood. An unusual amount of financial literature, of a superficial but taking quality, had been in circulation for years, which gave the advocates of free coinage an advantage in the early part of the campaign, but the electorate pondered upon the question as never before on a financial subject. The hoax of the "Crime of '73" was exploded. The very novel campaign of Mr. Bryan lost a measure of its attractiveness. In addition, there was some faint glimmering of improvement in industrial and commercial conditions, although the activity of business communities was largely suspended, and an eager interest in politics was taken by thousands of men who had given only passing notice to previous election campaigns.

Governor McKinley showed remarkable poise, and, by his many utterances from the porch of his home at Canton, he contributed to the success of the campaign. His words were always calm and patriotic, but showed qualities of leadership and a dispassionate consideration of pending issues which greatly increased the confidence of the people. The fear that his absorbing interest in tariff had left him no time for profound consideration of other



topics was dispelled by the clearness and courage of his utterances upon public questions. No candidate with a long record of speeches upon policies in dispute had awakened less animosity by his views. The exemplary record of his domestic life and his attractive personal qualities drew many to him. The result was the election of Mr. McKinley, who received in the Northern States, east of Ohio, unprecedented Republican majorities.

Senator Sherman took a less active part in this campaign than usual, rather by reason of the limitations of age than for lack of interest, he now being seventy-three years old. He spoke at the formal opening of the Ohio campaign, at Columbus, on the 15th of August, 1896. On this occasion he pursued the course of reading from manuscript, setting forth his views on silver at very considerable length, as well as touching upon the tariff and all great pending questions. There was little that was new in this address, although it showed all the forcefulness of statement which had characterized his preceding years. Occasional failure of memory became apparent for the first time during this campaign. There was an absence of that accuracy in the marshaling of facts and figures which had characterized him in previous years. At the same time his mental grasp had not seriously slackened, and it is probable that if Mr. Sherman had remained in the Senate, where he was accustomed to the methods employed in the transaction of business, and where a certain consideration

would have been shown for any infirmity due to advanced years, there would have been no serious handicap upon his usefulness until the end.

It was the earnest desire of Mr. McKinley and of Mr. Hanna, the latter of whom had been among Mr. Sherman's strongest friends in all his political aspirations, and had been his manager at the Republican National Convention in 1888, that he should take the position of Secretary of State in the new Cabinet. He was extremely reluctant to leave the Senate, but in accepting a position in the Cabinet he was influenced both by his desire to meet the wishes of his closest friends, and by a feeling that the preference of the President-elect should be respected. On the 15th of January, 1897, Mr. Sherman conferred with Mr. McKinley at Canton, and it was agreed that he should assume the position.

His participation in legislation during the last session of the Fifty-fourth Congress was materially lessened by his contemplated membership in the Cabinet, which not only occupied his time, but imposed an especial responsibility and hampered his freedom. After the public announcement of his selection as Secretary of State, he avoided as far as possible participating in the debates in the Senate upon questions involving foreign relations. Ineffectual discussions occurred upon questions of revenue and of currency, but there was a disposition to postpone everything until the following administration. Two questions were

discussed, however, of very considerable importance, on which it was necessary for him to express an opinion. One was upon a proposed arbitration treaty with Great Britain; the other upon the construction of the Nicaraguan Canal.

The arbitration treaty had been the subject of correspondence in the spring of 1895, and was again considered at the time of the Venezuelan boundary dispute. Lord Salisbury, the English Prime Minister, was not altogether friendly to a general arbitration treaty. He proposed excluding from the scope of proposed arbitration disputes which involved national honor and integrity, suggesting practically the exceptions which have since been reserved in several arbitration treaties recently negotiated between different nations of Europe. By the terms of the treaty, which was signed and transmitted to the Senate on the 11th of January, 1897, provision was made that pecuniary claims were to be decided by tribunals composed of three or five arbitrators, the number depending upon the amount of the claim; an equal number of arbitrators were to be jurists of repute, to be chosen by each of the contracting parties; the third or fifth was to be chosen by those so selected. The claims were to be decided by a majority. But controversies involving the determination of territorial claims were to be submitted to six persons holding judicial positions, three to be selected by each of the contending parties, and their decisions were not to be binding unless five of the six arbitrators

should concur in the award, though there was to be no recourse to hostile measures until the mediation of one or more friendly powers had been invited.

Some senators denied the validity of such a treaty on the ground that it would eliminate the action of the Senate in the ratification of agreements with foreign nations. Among several amendments proposed was one limiting the questions to be decided by arbitration to those submitted by a vote of the Senate. Objection was made to the appointment of judges as arbitrators, because they might have expressed judicial opinions on questions propounded to them. Another amendment was adopted in the Senate that any differences which, in the judgment of either party, materially affected its honor, or its domestic or foreign policy, should not be referred to arbitration. This left so wide a range of subjects outside the proposed submission that, in a time of great excitement such as might arise from a collision of interests, the good effects of any treaty would be practically nullified. In its original form the treaty had provided for the submission of all controversies, but with a vital difference in regard to the decision by the judges. In one case a majority might decide, and in the other it must be five to one. The vote for ratification was 43 to 26, less than the requisite two thirds.

A Bill was brought forward by Senator Morgan favoring a guarantee of bonds of the Maritime Canal Company of Nicaragua. Mr. Sherman took part in the discussion, saying: "I have always

believed, and still believe, that the only way by which the Nicaraguan Canal could be built was by the action and credit and power of the government of the United States." He vigorously opposed the pending proposition, again referring to the treaty prepared during President Arthur's administration, twelve years before, and saying that if, instead of having been withdrawn by Cleveland, it had been ratified, the canal might already have been completed. It was stated during the discussion that about \$4,500,000 had been expended by the company and that it was unable to borrow any more money. He expressed the opinion that the canal could never be built by a corporation, however strong and powerful it might be, and called attention to the Suez, which was constructed by the contributions of the people of several nations, among them France and Great Britain.

A closely related question, that of the binding effect of the Clayton-Bulwer Treaty, was discussed in the month of February, 1897. This treaty had usually been considered as an obstacle to undertaking the construction of the canal, without the consent or coöperation of Great Britain. A joint resolution was introduced by Senator Morgan, declaring this treaty, which was concluded on the 19th of April, 1850, to be abrogated. Mr. Sherman objected to the consideration of this resolution and it was decided to take up the question in the privacy of an executive session, where, after debate, it was referred to the Committee on Foreign Relations.

It is known, however, that Mr. Sherman opposed the declaration of abrogation.

His very last utterance in the Senate, February 26, 1897, was called out by a discussion in regard to one Julio Sanguily, a naturalized American citizen, who had been seized by the Spanish authorities at Havana and imprisoned. A resolution was offered demanding his immediate release, and suitable compensation. Such was the temper of the time that this was an extremely popular proposition, but it was within less than a week of the closing of the Fifty-fourth Congress, and it was earnestly desired that appropriation bills should be disposed of. Under these circumstances the accusation was made against Mr. Sherman that, in favoring the adoption of the resolution, he was obstructing the passage of appropriation bills. This he disclaimed, and in reply made the last utterance of his legislative career, saying: "I am opposed to wrong and violence and tyranny, wherever it is exercised, and, when it is inflicted upon a citizen of the United States, I will stand by him, if I am alone."

## XVII

### SECRETARY OF STATE. — HIS LAST DAYS

THE period of Mr. Sherman's service as Secretary of State, from March 5, 1897, to April 27, 1898, was an extremely important one in our diplomatic relations.

An important negotiation was that for the annexation of the Hawaiian Islands. In January, 1893, the monarchical government in these islands had been overthrown, and a provisional government established which sought annexation to the United States. President Cleveland, however, who was inaugurated on the 4th of March, thought there had been a violation of neutrality. He believed that the marines and sailors of the U. S. S. Boston had landed, not merely for the protection of American property and the prevention of incendiarism, but with a view to a change in the government. A treaty had been framed at Washington and sent to the Senate for ratification before the close of President Harrison's term. President Cleveland withdrew the treaty and made overtures for the restoration of the monarchy, but these were rejected, and the provisional government remained in power. It was his declaration that the Queen surrendered, not to the provisional government, but to



the United States; not absolutely and permanently, but temporarily and conditionally, until such time as the facts could be considered in the United States.

In February, 1894, the House of Representatives approved the action of the President, declaring that annexation was uncalled for and inexpedient and condemning the action of the Minister to Hawaii in directing the employment of United States naval forces. Contrary action was taken in the Senate, however, where a resolution against the policy of annexation was indefinitely postponed, and a resolution recognizing the right of the islanders to establish their own form of government, and against allowing interference on the part of foreign countries, was adopted.

A Republic with a form of government similar to ours was proclaimed on the fourth of July, 1894. This Republic was recognized by foreign powers. It steadfastly adhered to the policy of seeking annexation to the United States, although an opposition party developed. In February, 1897, the attorney-general for the islands came to Washington to open negotiations for a new treaty of annexation, and on June 16, after the inauguration of President McKinley, Secretary Sherman signed such a treaty on behalf of the United States. Less than two thirds of the members of the Senate favored this treaty, and thus it was not ratified, but the islands were finally annexed to the United States by a joint resolution approved by the President on July 7, 1898.

There was the ever-present ground for controversy with Spain over conditions in Cuba. Whatever he may have said in the Senate, Mr. Sherman labored with earnestness, from the very beginning of his incumbency in the State Department, to establish conditions in Cuba which would secure the people of the island in their rights, and be satisfactory to the United States, without a collision with Spain. In this he coöperated with President McKinley, and after he left the Cabinet he frequently expressed the opinion that if he could have continued those negotiations, war might have been averted.

While sympathy for Cuba had aroused in the United States the most bitter animosity against the Spanish government, it must be conceded that the situation of Spain was a most delicate one. That country had discovered the new world, and, as a result, had laid claim to a whole hemisphere, more than half of which it had possessed for three centuries; but now, of this vast colonial empire only two islands in the West Indies remained. The Ministry which would abandon these without a struggle would be hurled from power in disgrace. It was preëminently a case in which a stronger nation might well be considerate of a weaker. Yet every narrative of Spanish misrule or outrage in Cuba added fuel to the flame of indignation, and, besides, important interests of the United States were grievously injured by the intolerable conditions there. No subject was more discussed

in Congress, nor was there greater interest in any topic among the public at large. Resolutions for recognition of belligerency were frequently introduced, also resolutions for intervention. In September of 1897 Minister Woodford notified the Spanish government that recognition of Cuban belligerency was demanded in the United States. A measure of local government was given to Cuba by Spain, but the unrest and turmoil still continued. The concentration of inhabitants of the island in towns where they were unable to obtain suitable habitations, or the means of support, and were even in a starving condition, did much to arouse popular feeling in the United States.

It is nevertheless possible that peace might have been obtained had it not been for the blowing-up of the United States Battleship *Maine*, in the harbor of Havana, on the 15th of February, 1898. On a subsequent investigation a report was made by naval officers of the United States that the ship was destroyed by a submarine mine which caused the partial explosion of two or more of the magazines. Though no evidence was obtained fixing the responsibility, and it is altogether improbable that any Spanish official of prominence directed the destruction of the ship, nevertheless, it was believed that the mine must have been located and fired by Spaniards, and that the act was prompted by ill will towards the government and people of the United States.

In surveying the long months of tension arising

from the feeling against Spain, it is easy to realize how difficult it was, after this tragic dénouement, to avoid war. Soon after, Congress voted \$50,000,000, to be used by the President under his absolute discretion for the national defense, but evidently with a view to preparing for war and waging it. On the 11th of April, 1898, the President notified Congress that all his efforts to obtain satisfaction from Spain had failed. Congress passed, and the President on the 20th of April, 1898, approved, resolutions of intervention, declaring that Cuba should be independent, and directing the use of the military and naval forces of the United States to carry the resolutions into effect. A formal declaration of war soon followed, and, on the 23d of April, a call for one hundred and twenty-five thousand men.

By this time the position of Secretary Sherman in the Cabinet had become unbearable. Mr. William R. Day, an intimate personal friend of President McKinley, since appointed to the Supreme Court of the United States, had been chosen as Assistant Secretary of State, in May, 1897, and it soon became apparent that President McKinley relied upon him for the management of affairs in the State Department. The unusual course was adopted of inviting an Assistant Secretary to attend the meetings of the Cabinet for the purpose of discussing the question which at that time was of the most absorbing interest to the whole nation. Mr. Sherman was not slow to observe this, and,

in a measure, resented it. On the 25th of April, two days after the call for troops, he resigned his position as Secretary of State, and, on the 27th, vacated the office.

His abandonment of the office was inevitable, on two grounds. In the first place his health had so failed that it was impossible for him to manage this great department, in this trying emergency, with sufficient vigor. He had become forgetful, and in many important matters of detail his lack of memory threatened complications in relations with the ambassadors of other nations. So complete was his failure of memory that he sometimes failed to recognize old acquaintances. On one occasion two Senators, who had been his colleagues in the Senate, called upon him, presenting a citizen of their state for a diplomatic position. Secretary Sherman was very considerably interested, but in a brief time it appeared that he was addressing one of the two Senators who had been his colleagues as the applicant, showing an entire forgetfulness of a man with whom he had associated for two years in the Senate.

A second reason was a difference of opinion as to the proper policy to adopt. Whatever he may have said in earlier years in the Senate, he was now unalterably of the opinion that it was not a desirable policy for the United States to annex outlying territory. In his "Recollections," written in 1895, he had said at the very close of the book: "The events of the future are beyond the vision of mankind,

but I hope that our people will be content with internal growth, and avoid the complications of foreign acquisitions. Our family of states is already large enough to create embarrassment in the Senate, and a republic should not hold dependent provinces or possessions. Every new acquisition will create embarrassments. Canada and Mexico, as independent republics, will be more valuable to the United States than if carved into additional states. The Union already embraces discordant elements enough without adding others. If my life is prolonged I will do all I can to add to the strength and prosperity of the United States, but nothing to extend its limits or to add new dangers by acquisition of foreign territory." In view of this declaration, naturally his every effort was exerted to avoid war with Spain, especially since such a war was at that time considered as a prelude to the annexation of Cuba. It cannot be denied, however, that he left the Cabinet with a degree of bitterness toward President McKinley, more by reason of his practical supersession than for any other reason; but also with a belief that he had been transferred to the Cabinet to make room for another in the Senate.

The remaining years of his life were years of sadness. It is not difficult to realize that a man who, for forty-three years, had been absorbingly occupied in public affairs, and had come to regard himself as identified with the government of the country, should feel entirely lost when outside of



official station. Ill health and weakness were creeping upon him, but his chief misfortune was his absence from the pursuits which had been his very life. It was believed that he cherished a bitter feeling because of his withdrawal from the Cabinet, and numerous interviews and utterances of his appeared, some of which were no doubt genuine, in which he attacked the policy of the administration. At the request of the Anti-Imperialist League he furnished a clear and argumentative statement against the annexation of the Philippines, which showed that, however lacking his faculties might be in some directions, he still retained remarkable vigor of thought and expression. The sadness of his situation was very much aggravated by the failure of his wife's health. She was stricken with paralysis in the autumn of the year 1898, not long after the fiftieth anniversary of their marriage, but lingered until the 5th of June, 1900.

Mr. Sherman alternated between Mansfield and Washington. To place a quietus upon one of the rumors of his opposition to the Republican party, and numerous reports that he would take a part in Ohio politics against the President, he sent a letter, in which he strongly supported the Republican candidate, Judge Nash, for governor, in the year 1899.

In March of that year he took a trip to the West Indies, during which he was taken seriously ill at San Juan, Porto Rico, and later suffered a relapse. An untrue report of his death was sent to the United



States. A government steamer was assigned for his use, which landed him at Fortress Monroe not long after.

Several months after the death of Mrs. Sherman he returned to Washington, very much shattered, both in mind and body. In taking his last glimpse of Mansfield he seemed bewildered about the place to which he was going, and even asked: "Where are they going to take me?"

Soon after his return it was evident that his life was fast ebbing away. He was confined to his bed, and was, for most of the time, unconscious. When some of his near relatives and friends had gathered in his house, in the last hours, he raised his head, and, seizing the hand of his adopted daughter, Mrs. McCallum, said: "There are some friends in the house, are there not?" She responded in the affirmative. He then said: "You must show them hospitality." These were his last words, and on the following morning, Tuesday, October 22, 1900, he passed away.

President McKinley issued a proclamation eulogizing his character and his distinguished public services, and directing that the flags upon the public buildings at the capital be placed at half-mast, and that in like manner tribute be paid to his memory, for ten days, by the representatives of the United States in foreign countries. Commemorative services were held at his residence in Washington, after which there were funeral services at Mansfield, at which place he was buried.

## XVIII

### SUMMARY AND CONCLUSION

THE political and financial history of the United States, from 1855 to 1898, the period of Mr. Sherman's active participation in public life, is characterized by a record of events which in importance is not surpassed by that of any equal period in the history of any nation. In nearly all of these events he had part; in very many he was prominent, and in a considerable number he was the central figure. So closely was he associated with the stirring scenes and the remarkably progressive movements of this time that his biography is virtually a history of his country during these forty-three years.

No man was more closely associated with the great material growth which was a leading feature of the last half-century. He was at the very forefront in the financial and industrial achievements of his day. He reveled in trade and census statistics which showed the increasing prosperity of the country and promised for it an unchallenged supremacy. In his earlier years he had visited prairies and plains which were as unoccupied as mere desert wastes. It gave him supreme satisfaction to see them in later years, and to view the

prosperous cities which had arisen under the magic touch of American enterprise.

His part in public affairs commenced with the anti-slavery agitation. This was followed by the great excitement and strain of the Civil War, in which the public men of the United States were compelled to face problems rarely imposed upon statesmen of any nation, and their capabilities tried to the utmost. Then followed the difficult period of political reconstruction and material reparation. Later still, came the financial and commercial revolution which was a distinguishing feature of the last thirty years of the nineteenth century.

Sherman was naturally conservative in his views upon public questions. At the very outset of his political career he was criticised by the radical anti-slavery advocates. He was not among the earlier advocates of emancipation during the Civil War. He was at first opposed to granting the right of suffrage to the colored race. Yet he became an intense partisan, and adhered to the measures and policies of his party with unswerving tenacity. He could not well have been anything else. Our judgment of men must be determined, not by any ideal standard, but by the epoch in which they live, and by their environment.

He was first elected at a time when the moral sentiment of the country was intensely aroused. The very first session of his legislative career saw him in the midst of a reign of terror in Kansas, where an effort was made by brute force and by

devious means to defeat the will of the citizens of a territory which was soon to become a great state. He was threatened with personal assault and violence on the floor of the House, and had been compelled at one time to carry a weapon, in order that he might feel safe from the attack of a fellow member whose animosity against him was aroused solely by his political principles. He was defeated for Speaker when he felt himself most justly entitled to the position, and that by a species of opposition which left with him a legacy of bitterness, not merely political but personal as well. In the years following the Civil War it was believed for a long time that the restoration of the opposing party would mean the annulment of the results of the conflict. Contests were close. His prominence subjected him to accusations of official dishonesty. Political opponents thought there was no surer way to overthrow a contending candidate than by accusations of this kind. It is not probable that similar methods for securing political advantage will ever be entirely done away with in the Republic, but it is to our credit that there has been great improvement, especially within the past decade.

The charge of inconsistency has been frequently made against him, a charge which is undoubtedly sustained by his numerous changes of opinion. His views upon the tariff are the most satisfactory to one who in a survey of his life is anxious to find a public man consistent in his ideas. On many

other subjects he on various occasions advocated policies widely different. In taxation he favored an income tax, in the earlier seventies, and opposed it in 1894. As regards the greenbacks, he regarded them as a temporary measure when he first voted for them in 1862; later he said they would disappear with the end of the war; but at a subsequent time he came to believe in them as a permanent portion of our currency, and retained that belief until the end of his life. It is evident that he thought lightly of consistency, regarding it as a jewel precious because of its rarity rather than for its intrinsic worth or its importance as a rule of conduct.

His changes of attitude were not in all instances free from apparent regard for political expediency. At the same time they were too numerous, too frankly avowed, and so often divorced from considerations of personal advantage that no adequate explanation can be given except that they were due to a habit of his mind. He did not always change his tack with changes of the tide. He was constantly giving heed to the despotic power of public opinion, but his advocacy of policies was often most persistent, and, indeed, obstinate, in cases in which he incurred strong opposition and obloquy, by reason of the alteration of his views; or in which he was thoroughly aware that he was going counter to the opinions of a majority of his countrymen. His courage and his patriotism appear in the strongest light in numerous instances in which he was willing to appeal to the future and disregard the clamor

of the passing moment. After his own state had voted by more than fifty thousand majority against negro suffrage, he courageously advocated the Fifteenth Amendment, although he had been loath to favor it at an earlier time. His arguments for sound money and for financial honor and credit were strongest and most earnest when the sentiment in his state and in the country was manifesting itself most forcibly for inflation, or depreciation of the monetary standard.

In many instances his changes of opinion would seem to be the result of inadvertence or forgetfulness. In a long career covering forty-three years, most of which was in a legislative body, where his utterances would fill a great many volumes, and during which his views were expressed on a greater variety of subjects than by almost any of our public men, it is not improbable that some expressions were hastily given, without reflection, or as soon forgotten as spoken. In 1888 he spoke in favor of erecting a public building in every town of four or five thousand inhabitants, and in 1892 he said that it was not best to construct any such building in a town of less than ten thousand inhabitants, because, in the smaller towns, it would be more profitable to rent than to build. There are very many instances, however, in which the difference in his utterances cannot be ascribed to forgetfulness. When he was straining every effort to aid in the funding of the national indebtedness at a lower rate of interest, he demanded that the national



banks should take, as a basis for their circulation, large amounts of bonds at the minimum rate of interest provided in a proposed issue, and that a law should be passed to that effect. Some years after, although fully aware of the line of argument which he had adopted at an earlier time, and confronted with his former words, he strenuously opposed the imposition of a similar requirement, saying that it was unjust to the banks, and a reproach upon the credit of the government.

At times his views were changed only when he became convinced that an overwhelming majority of his constituents had come to think differently from him. His life was contemporaneous with a transition period in the relation between the people and public men. The situation in which party followers waited for the views of their leaders, as in the days of Jackson, Clay, Calhoun, and Webster, gave place to one in which the individual citizen asserted himself more prominently. The initiative in great public movements, in a much greater degree, began with the people themselves. He at first opposed larger pensions for soldiers, but later yielded to the popular demand for them. Like many other public men who had gone through the stirring scenes of the war, he was unwilling to oppose the most generous provision for the volunteer soldiers who had answered the call to arms.

His first impulses on almost every question were actuated in great degree by a desire for economy in the management of the public purse. This atti-



tude he was unwilling to yield until he became convinced that general opinion was permanently fixed in favor of more generous expenditure. In some instances, such as in his occasional expressions of willingness to see the bonds, issued during the Civil War, paid in greenbacks, he was clearly actuated by a desire to obtain the most favorable bargain for the government possible, a disposition which was as constant with him as his desire to obtain favorable bargains in his private business transactions. He was exceedingly anxious to relieve the country as far as possible from the almost overwhelming load of debt which had been incurred in the Civil War.

It has been said that Mr. Sherman was a cold man. This accusation is always made against those who do not love greetings in the market-place, or whose habits are those of men constantly and intensely devoted to their work. He was a model man in his family; an affectionate husband; kind and forbearing in all the relations of life. He was not only thoughtful, but affectionate, and at times jovial. When he went outside the circle of his immediate friends, however, he was in a degree reserved; not given at any time to enthusiastic praise; absolutely lacking in anything like gush or sudden impulse; but always dignified, appreciative of his friends, and, though remembering his foes, not vindictive.

His public utterances have certain well-defined characteristics. They abound in facts and figures.

He never aimed to be ornate. In his early career, Chase, on one occasion, had advised him to add something in the way of a peroration, but he concluded not to do so. Occasionally, however, as at the dedication of the Washington Monument, and at the later meeting of the Sons of the American Revolution, at the base of the Monument, on the Fourth of July, 1894, he expressed himself in flowery language, and with the usual elation over the triumphs of American institutions. He was master of a concise style. His sentences were at the same time readily understood — comparatively short, and especially striking in that they were comprehensive and covered all the different phases of the subject in very brief compass.

He had the power of intense concentration. When engaged in reading or writing he was oblivious to his surroundings and hardly noticed the presence of any one. In preparing an elaborate address he usually drew first an outline in his own handwriting; then dictated something to be written out in a manner which would leave ample space for interlineation. To this first draft he added much, and then made material changes in the second draft before speaking. In a majority of cases, however, in which he addressed the Senate, his remarks were extemporaneous. He always understood where to find material in the way of information and statistics for his speeches, and rarely called upon others for references or any form of assistance.

He was not without literary taste. In the mass of his correspondence, there may be found a letter expressing regret because of his inability to attend the centennial celebration of the birthday of Thomas Moore. Of Moore and of the Irish people he wrote :

“Death has made for him, as it often does for men of genius, a second fame more splendid than the renown of his lifetime. His various literary productions, the bright satire, the poetry on Oriental themes, exquisite prose, romance like the ‘Epicurean,’ witty epistle, neat epigram, biography like that of Byron, the copious annals of his country — they all hold, and will continue to hold their honorable place in literature; but these are secondary to his matchless Irish melodies, interwoven by the poet with the beautiful airs of his country. These songs can never be heard without enthusiasm. They have an ever-varying charm, and, whether mournful or gay, they breathe the wild sweetness of the Irish harp, and all the hope and grief of Irish national life. The legend and landscape, the picturesque history, the poetic national traits, the romance of the past, the courage, the chivalrous homage to beauty, the frolic levity, conviviality, joy, anguish, love of country, fiery sorrow under subjugation, the passion for national independence without which there is no greatness in a poetry or a people — all that is most Irish is contained in these melodies.

We are French when we read Victor Hugo; Walter Scott makes Scotchmen of us all, and we are made Irishmen by the magic of Moore’s melodies. These songs have naturalized us. They have made the poetic vision of Ireland to fill every heart with sympathy and respect. Emmet has his wish, — in another, perhaps a better, sense than he meant, — his country takes her place high and abiding among the nations of the earth in the genius of her sons, among whom Thomas Moore will always hold a supreme place.”

There can be no more fitting eulogy upon him than that expressed by President Garfield, in 1880, in his speech at Chicago nominating Mr. Sherman for the presidency:

"You ask for his monument. I point you to twenty-five years of national statutes. Not one great, beneficent law has been placed on our statute-books without his intelligent and powerful aid. He aided in formulating the laws to raise the great armies and navies which carried us through the war. His hand was seen in the workmanship of those statutes that restored and brought back 'the unity and married calm of the states.' His hand was in all that great legislation that created the war currency, and in the still greater work that redeemed the promises of the government and made the currency equal to gold. When at last he passed from the halls of legislation into a high executive office, he displayed that experience, intelligence, firmness, and poise of character which have carried us through a stormy period of three years, with one half the public press crying 'Crucify him,' and a hostile Congress seeking to prevent success. In all this he remained unmoved until victory crowned him. The great fiscal affairs of the nation, and the vast business interests of the country, he guarded and preserved while executing the law of resumption, and effected its object without a jar, and against the false prophecies of one half of the press and of all the Democratic party. He has shown himself able to meet with calmness the great emergencies of the government. For twenty-five years he has trodden the perilous heights of public duty, and against all the shafts of malice has borne his breast unharmed. He has stood in the blaze of 'that fierce light that beats against the throne;' but its fiercest ray has found no flaw in his armor, no stain upon his shield."

One of the most discriminating tributes to his memory was that of his colleague, Senator Hoar:

"It is rarely more than once or twice in a generation that a great figure passes from the earth who seems the very embodiment of the character and temper of his time. Such men are not always those who have held the highest places or been famous for great genius or even enjoyed great popularity. They rather are men who represent the limitations as well as the accomplishments of the people around them. They know what the people will bear. They utter the best thought which their countrymen in their time are able to reach. They are by no means mere thermometers. They do not rise and fall with the temperature about them. But they are powerful and prevailing forces, with a sound judgment and practical common sense that understands just how high the people can be lifted, and where the man who is looking, not chiefly at the future, but largely to see what is the best thing that can be done in the present, should desist from unavailing effort. Such a man was John Sherman. . . .

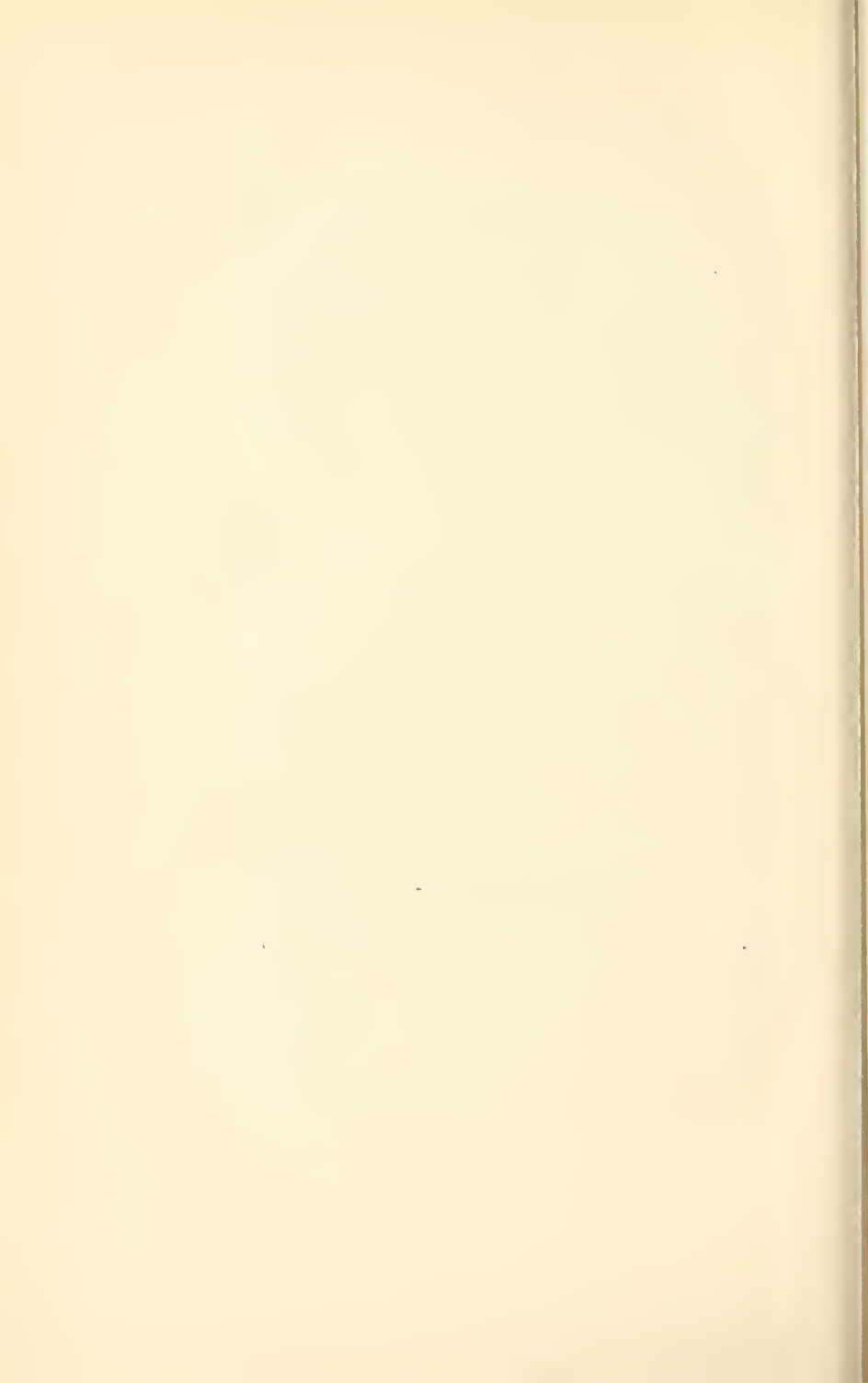
"He filled always the highest places. He sat at the seat of power. His countrymen always listened for his voice, and frequently listened for his voice more eagerly than for that of any other man. . . . The contest [i. e., for Speaker] left him the single preëminent figure in the House of Representatives—a preëminence which he maintained in his long service in the Senate, in the Treasury, and down to within a few years of his death.

"He was a man of inflexible honesty, inflexible courage, inflexible love of country. He was never a man of great eloquence, or greatly marked by that indefinable quality called genius. But in him sound judgment and common sense, better than genius, better than eloquence, always prevailed, and sometimes seemed to rise to sublimity, which genius never attains. . . .

"Mr. Sherman's great fame, and the title to his coun-

trymen's remembrance which will most distinguish him from other men of his time, will rest upon his service as a financier. He bowed a little to the popular storm in the time of fiat money. Perhaps if he had not bowed a little he would have been uprooted and the party which would have paid our national debt in fiat money would have succeeded. But ever since that time he has been an oak and not a willow. The resumption of specie payments and the establishment of the gold standard, the two great financial achievements of our time, are largely due to his powerful, persistent, and most effective advocacy."

The fame of any great man is in a measure ephemeral. It is true that there was much that was prosaic in the life of Sherman, and that his best efforts were not connected with that glamour which gains the loudest applause; but in substantial influence upon those characteristic features which have made this country what it is, and in the unrecognized but permanent results of efficient and patriotic service for its best interests, there are few for whom a more beneficial record can be claimed. He will stand in history as a characteristic American; as a man of untiring industry and absorbing ambition for the public good; and as the country shall more and more assume a leading position in all the elements which tend to give primacy in modern progress, his work will deserve and obtain increased appreciation.





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